YOU WILL OWN ~~A HOUSE~~ ~~A CAR~~ ~~A BUSINESS~~ ~~STOCKS~~ ~~YOUR LIFE~~ NOTHING

Your War with a New Financial World Order and How to Fight Back

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YOU WILL OWN NOTHING

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BROADSIDE BOOKS

Dedication

This book is dedicated to my husband and best friend, Kurt.

This book is likewise dedicated to everyone fighting for individual rights, freedoms, and the pursuit of the American Dream.

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Introduction

The Coming War

There's a war coming. A global war. You may be thinking about World War III—which, at the time of this writing, hangs in the balance with a certain probability—but I am talking about a different war. This is World War "F"—a financial world war where you are "F'd."

Historically, war has come about in a quest not just for control over another country and its people, but also to overtake their economic resources. War is always economically rooted in some manner, and World War F, in that sense, is no different.

War is also often an outgrowth of desperation. It's a last-ditch effort to cling to power or an attempt to cover up for political, social, or economic breakdowns in the land of the aggressor.

World War F, though, is a modern and unique war. It is not a quest to dominate the American government, but for the government and other related forces to dominate you.

Today there is a late-stage, empire-driven attempt to hold on to power. Multiple forces are working to that end and to set up the elite "on top" for what's ahead: the new financial world order.

These three forces are:

1. Direct government and government-related forces (think Congress and the Federal Reserve);
2. Bad actors and elite power-grabbers (think the World Economic Forum and big business); and
3. Big Tech (think Big Tech).

Individually, any one of these forces would be bad and create a challenging fight. Having them come at us all at once is an all-out major war.

Sometimes these entities are working solo, and sometimes they are working together, but their goal is consistent: separating you from your property rights, money, wealth, and other freedoms.

These forces see themselves as the "founding fathers" of the new financial world order, but they are without a moral compass or a set of principles. They operate on the lowest rungs of human nature and desires: greed, power, and control.

They are working on a revolution against you in a war that uses a broad array of tactics, trying to usurp and dominate your wealth and freedom. Whether it be the government, financial powerhouses, international nongovernmental organizations (NGOs), Big Tech, or other powerful entities, they are all prepping and building their forces. They have sophisticated propaganda machines and armies of soldiers they have enlisted, often under false pretenses. They operate on a global scale, sometimes using special forces or even Trojan horses to execute their strategies.

These forces, in different but related ways, are coming for your wealth. They are coming after your livelihood, aka your path to wealth. They are coming after your social standing and access, aka the opportunities for you to create wealth. And, most directly, they are coming after your assets, which is your literal wealth, as well as your legacy and your family's future.

These three forces are bringing about and jockeying to capitalize upon a new financial world order—one with new schemes and innovative technologies that allow fewer opportunities for you. You will need to have the knowledge and the will to fight in order to hold on to the American Dream.

This is a book about what happens when the wealthy and powerful realize the financial stakes are shifting. They could sit back and see how it all plays out. Or they could proactively try to control every finite resource and who has access to such resources.

You need to get battle ready.

You Will Own Nothing

Wealth comes from ownership.

Being involved in the financial industry for nearly thirty years, and spending the past dozen-plus years in the media helping people create economic freedom and wealth for themselves and their families, I know that

wealth being derived from ownership is an indisputable truth. More concretely, wealth comes from the ownership of assets that increase in value over time.

Ownership is a subject people tend to greatly misunderstand. We misconstrue where wealth comes from, and we misinterpret the benefits of hard work and taking risks. You can meet a poor construction worker putting in eighty hours a week for someone else. You can find professional athletes declaring bankruptcy as soon as their multimillion-dollar contracts end. And you can find guys sailing their boats who haven't been to an office in years. That's because it's not just how much money you make, but how you manage it and put it to work for you.

Asset ownership provides the ability for people to increase their wealth exponentially—by several multiples of the original investment. This is something that working and earning alone cannot do.

For many Americans, creating generational wealth has come from owning homes that have appreciated in value. Some individuals hold stock and other financial instruments via brokerage accounts and 401(k) plans that have largely increased in value over time. Millions of Americans have built businesses that meet the wants and needs of customers and have created wealth through that process. Others have invested in alternative scarce assets, whether they be precious metals, art, or even trading cards.

So, if there was an institutional, governmental desire for more people to become wealthy and grow that wealth, making it easier to invest and gain ownership would be a priority.

Today's reality is the polar opposite. Ownership—and the opportunities for individual wealth creation and economic freedom that come with it—is under attack.

I am known as someone with a commonsense approach to just about everything, so when I first heard that the World Economic Forum (WEF), an international organization connected to a cadre of elites that includes business, financial, and political leaders, put out a set of predictions for this decade that included the disappearance of ownership, I figured it was a conspiracy theory.

The WEF has courted, developed, and associated with business magnates and political heavyweights like Bill Gates, Salesforce CEO and co-founder Marc Benioff, Canadian prime minister Justin Trudeau, and former chancellor of Germany Angela Merkel. The WEF hosts a fancy networking

forum in Davos, Switzerland, yearly. They put out “thought leadership” around social, political, business, and economic concepts. Surely there must have been some mistake that this organization littered with the global elite would be predicting the end of private property?

It didn’t take much research to find that it was right out in the open. The WEF’s 2030 predictions included the stark warning, under the guise of sunshine and rainbows, “You’ll own nothing. And you’ll be happy.” And that’s just the beginning.

Yes, property rights and the ownership they convey, the cornerstone of freedom and wealth creation opportunities, have come under fire. And I am quite certain that owning nothing and being devoid of the opportunities that come with ownership makes you poor and unfree, not . . . *happy*.

What is being said by the elites aloud worldwide is playing out in real time in the US. But why?

Shifting Toward a New Financial World Order

This brings us back to the war and why you have become the enemy. Everyone, including your own government, wants what you have. More accurately, they are in desperate need of what you have—your wealth, both today and in the future.

These allied forces are on a quest to take your wealth and, by extension, your freedoms for their benefit, their prosperity, and, ultimately, their survival. Without it, their very existence is threatened.

Over the year following the March 2020 Covid lockdowns and mandates, we saw the most historic wealth transfer of all time, enabled by the US government and the Federal Reserve, alongside connected financial institutions. That multitrillion-dollar transfer went from Main Street to Wall Street. The already wealthy and well-connected saw their wealth inflated at the expense of average Americans, including savers and retirees, as well as the backbone of the US economy, small business. The coordination of the big players in the financial sector along with the government has benefited the wealthiest at your expense.

On the tail end of this giveaway, quite predictably, the highest inflation in forty years took hold. Once again, those who had the least bore the brunt of this burden. Then, two years later, the same central planning powers

extracted trillions of dollars from the stock market, including from 401(k)s and other individual retirement accounts.

Some stories, facts, and injustices in this book, like the above, will be familiar to you; others will be new and shocking. Hopefully, though, you will begin to see it all in a new light.

These represent just a few battles in a much larger, coordinated, and dangerous endeavor. It is all part of a multipronged shift toward a new financial world order where they own everything and you own nothing.

As we work through the shifting pieces of the world economy and the new financial world order, we'll be looking at two underlying trends. The first is the modern drivers of wealth. The elite know where the valuable resources are in the world and where new value can be created, extracted, or conquered. They know who holds wealth today and where they can get it from in the future. And they know how they plan to take every penny of it that they can.

Debt and Desperation

When the Constitution and Bill of Rights were framed in the eighteenth century, America was primarily an agrarian society. Property rights and the wealth that you could create were heavily tied to land ownership.

Then, as industry advanced and the monetary system evolved, individuals were able to build businesses and create wealth via investment.

Americans prospered through hard work, ingenuity, thriftiness, and risk-taking, all enhanced and protected by the founding concepts of individual rights, including property rights.

As Americans leveraged their work ethic and the structure that protected their fruitfulness, they became increasingly prosperous—at levels not seen anywhere around the globe at any time in history. Credit Suisse's *Global Wealth Report 2022* estimated global wealth at around $463.6 trillion, with 31 percent of that, or around $145.8 trillion, in the hands of Americans.[1]

However, those in charge of safeguarding individual rights—the government—were derelict in their duties. They realized that to take and hold power, they had to make promises and offer "services." Services that, by the way, they weren't paying for—you were.

This led to massive increases in spending. As the government spent, given that government doesn't produce anything of intrinsic value, there were

only so many ways to pay for that spending.

Of course, one source of financing government spending is taxation—the taking of a portion of your productivity and wealth.

Another financing route is debt. This leads us to the book's second, deeper issue: the shifting of the financial world order because of the natural opposition between power and too much debt. Debt isn't always bad. It can be a powerful investment tool if used to build something worth far more than the debt in the future. But, increasingly, people owe money on things that have little monetary value, and companies and governments owe money to companies and governments that owe even more money.

The US government can't afford all its spending and has turned time and again to debt as its source of financing (running upwards of $31 trillion, outpacing the GDP, and rapidly growing at the time of writing). Debt isn't a magic payment source because it eventually still needs to be paid. This is ultimately paid from—you guessed it—your productivity. It starts with more taxes to pay for the interest on the debt, making you pay additional money toward "services" you effectively have already purchased by government proxy.

When the government runs out of people who are interested in buying their debt, then they pull an accounting trick and buy (aka monetize) their own debt. By doing so, it again robs your productivity via debasing the dollars that are a proxy for that productivity.

Government could, of course, cut services, but that would threaten its power. Moreover, as everything is done on your dime, why would they choose this route?

They could also take the wealth and riches of other countries and people via invasions, something that isn't popular, for obvious reasons. It's more stealthy and genteel to rob and plunder "legally."

This works for a while, as people go along with the scheme or perhaps don't notice what is going on.

But at some point, the financial scheme starts to show cracks. Debt levels get too high. Neither investors nor other countries want to buy new debt. It becomes incredibly costly to service the substantial amount of existing debt. The monetization scheme produces noticeable damage via inflation. Everything starts to unravel—including the financial empire itself.

I will say it again: power and massive debt loads are at odds with each other.

It becomes mathematically impossible for the current trajectory to be sustained. That's where the desperation kicks in. And new and robust schemes are hatched as a way to continue this spending cycle and protect their power.

The government is desperate and in debt, and you and your fellow citizens represent a massive amount of wealth to be "legally" conquered.

As the US's financial empire is in its twilight, with the government's behaviors threatening the dollar's role as the world's reserve currency, you are at even more risk of owning nothing. The Federal Reserve's policies are greatly impacting the soundness of your money and its global financial standing. This ultimately impacts your wealth creation opportunities as well. You may hold dollars, but they are buying you less and less.

That leads us to where we are today. Many people see where we are in the broader financial cycle and where this is going. The elite and well-connected know that the economic reality isn't sustainable and that it will lead to a new financial world order, as has been the case numerous times throughout history. They have studied it and they want to capitalize upon it.

So, with this knowledge, and the power, wealth, and connections to make it happen, the elite are posturing and positioning. They want to influence, create, dictate, and, most importantly, come out on top in this new financial world order.

That's why they are working, often in alliance, together against you. To ensure that you own nothing, because that means they own as much as possible of everything as a global financial reset happens.

With that, in a postindustrial digital age, between fiat currency, technology, and elite central planning, it is becoming harder than ever to secure and maintain ownership of anything.

You work hard. You save. You invest. You do all the right things, but you still find that you aren't able to get ahead. You know that there's something wrong, but you aren't exactly sure how it all comes together and how you can fight back.

The Counter-revolution

The time is now to create a counter-revolution to these forces.

It is more clear than ever that as a new financial world order takes shape, the American Dream is under fire and may soon be unattainable. The

intention is to hollow out the middle and working class and leave them with nothing. It’s being done via the encroachment of government, Big Tech, big finance, and other ruling elite into all aspects of your life.

In this book I will share with you where these property rights and wealth creation opportunities are being stymied, the tactics being used to do so, and how you can fight back. You may be tempted to skip ahead and just look for the solutions, but I beg of you to read this all carefully. Understanding what is happening is a critical component of being able to secure your and your family’s wealth for the future and ultimately win this war. Your rights, your privacy, and ultimately your wealth hang in the balance.

Chapter 1

Socially Unacceptable

How Social Credit Leads to Owning You

During the spring and summer of 2020, every evening when the clock struck 7 p.m., something special happened. People across the US, especially in big cities, headed to their windows and began clapping and cheering. Some people flickered the lights in their homes on and off, and others festively hooted and hollered, all meant to show appreciation and support to frontline workers. The workers being celebrated included nurses, doctors, and other medical staff who worked in hospitals and medical facilities, many of which were at capacity because of the increase of Covid patients.[1]

Jenny was one of those frontline workers. Although not directly working with Covid patients, she worked through the pandemic performing her job with vulnerable individuals—an essential worker, as deemed by government mandate. A registered nurse for twenty-one years, during the pandemic Jenny worked as an RN in an inpatient drug rehabilitation and recovery center, as well as responding as a forensic nurse examiner in an emergency room doing evidence collection and examination related to sexual assault cases.[2]

The hospital where she was working in that latter capacity was the first of her two jobs to put in place a Covid vaccine mandate. Jenny applied for a religious exemption and appeared in front of a board that asked questions about her faith and why she didn't want to take a Covid vaccine. A short while later, she received an email that said her request for an exemption was denied. It further said that she had a week to comply and receive the vaccine or else she would be terminated from her job.[3]

Despite already having had Covid, which she was exposed to while working, making a full recovery, and having antibodies to confer what she

believed to be natural immunity, this hero was no longer treated as such. She was cast aside and lost her employment.[4]

Jenny was far from the only frontline worker to lose her job. In September 2021, President Joe Biden issued a vaccine executive order related to all federal employees, as well as larger employers.[5] It required all federal employees to take the vaccine, and all employees of companies with more than one hundred workers to get vaccinated, submit to weekly Covid testing, or lose their job.[6] With that, all kinds of frontline workers went from being put on a pedestal to being knocked to the ground.

On top of that, experts said that in most cases, individuals who lost their job for refusing would not be able to claim unemployment benefits, either.[7]

In the weeks and months that followed, all kinds of businesses, with the push from government mandates, fired the "noncompliant." The Mayo Clinic fired seven hundred unvaccinated employees.[8] The city of New York fired more than 1,400 employees, including thirty-six policemen with the NYPD.[9] Individuals in a variety of private jobs, including many who had been working nonstop during the pandemic, lost their jobs.

The pressure from the White House came not only with potential job loss for individuals but also with threats to businesses. For example, with hospitals and medical facilities, if they didn't have a mandate, they would lose access to government Medicare and Medicaid funding, effectively weaponizing health care.[10]

The government pressured businesses and used virtue-signaling supporters, deciding that the very people who had been previously labeled heroic and who kept themselves and others safe for well over a year now had to be punished for noncompliance with this government mandate.

The punishment for noncompliance was taking away people's livelihoods, the ultimate bullying control tactic. And that punishment was aimed at the same people who were pushed to work while others stayed home for months on end.

If you can't earn a living, how are you supposed to live?

Even if you could find another job, government mandates were separating people from their passions and expertise. In addition to arenas already discussed like the police force, the *Military Times* reported in April 2022 on 3,400 troops who were involuntarily separated from military service.[11] In July 2022, Military.com reported, "Some 40,000 National Guard and 22,000

Reserve soldiers who refused to be vaccinated against Covid-19 are no longer allowed to participate in their military duties, also effectively cutting them off from some of their military benefits."[12] At a time when the police and military were struggling with recruitment, willing servicemen and -women, those who may have dreamed their whole lives and trained extensively for this specialized expertise, were separated from their careers and callings.

While many of Biden's private mandates were eventually shut down, with judges agreeing the government exceeded its authority (at least those for private businesses, with others remaining), the die was cast. Businesses didn't want to run afoul of other rules. Workers had already lost their livelihoods and developed animosity toward their employers.[13] Other mandates remained in place for health care workers and federal employees.

It might not have been called social credit, but if it walks like social credit and talks like social credit, it might just be the foundation of it.

Your social standing and your livelihood are the core of your opportunities and path to create wealth. If you are not aligned with the elite, you will find that social credit, whether or not formalized into a system, puts this wealth creation path and its outcomes at risk.

The Short Road from Social Acceptance to Social Credit

There's a fairly straight and certainly disturbing line that goes from social acceptance to a social credit system. It stems from the type of tribal approval mechanism that either embraces you or rejects you as part of a group. Do you support the "current thing"? If you do, you can put up an emoji in your social media biography or a ribbon on your profile picture and a sign in front of your house. You can signal that you are a virtuous and worthy moral being. You are deemed by your peers and the mainstream media as a good citizen and part of the crowd of "right think" instead of "wrongthink."

If you don't support the current thing or, worse, you speak out about it, you may be rejected by others in society. God forbid you wear a hat or a T-shirt with a slogan that identifies you as outside of "right think" or you don't wear a cloth mask to the grocery store; if so, you may be subject to a verbal haranguing in public. Worse, if a human resources manager combs your

social media profile, you might lose out on a job opportunity for your lack of being part of the socially acceptable crowd.

This sort of elevated tribal social credit takes another step in its vitriol in the form of cancel culture.

Top podcaster, entrepreneur, comedian, and UFC commentator Joe Rogan received this type of treatment in 2021 and 2022. After Rogan had signed a reported $200 million deal with Spotify, a group of Spotify employees petitioned the company to have Rogan's show go through "editorial supervision" because they disagreed with some views expressed on the podcast.[14] That didn't work.

Months later, after Rogan had hosted a variety of scientists and medical experts who held views that were against mainstream groupthink, certain other academics, doctors, and influencers started to push what appeared to be a coordinated boycott of his podcast. They claimed he was spreading dangerous misinformation (none of which seemed consistent with the definition of dangerous and much of which has been validated over time).[15] Then artist Neil Young said he would pull his work from the Spotify catalog (via his record label, which held the rights to his recordings), setting off further social outrage. [16] In a town hall meeting held amid the hullaballoo, Spotify's CEO reportedly said they were not planning to edit or censor Rogan because the company operates as a distribution platform, not a publisher.[17]

When that didn't work, someone dug up a series of out-of-context clips of Rogan using offensive language, including racially charged words, and put them together in a compilation video, circulating it throughout social media. Rogan called it a "political hit job" and rightfully shamed those going after him as "judgmental, unforgiving, fu**s," which is the feature, not the bug, of this societal judgment-by-moral-superiority.[18] As his business partners mostly stuck by him, that effort didn't have the intended impact, ultimately gaining him two million podcast subscribers.[19]

Legendary comedian Dave Chappelle also faced a cancellation attempt when hundreds of Netflix employees staged a walkout in October 2021 to protest the comedian and his Netflix special *The Closer*. Bolstered by social media virtue signalers, the employees said Chappelle's content—which, by the way, is made up of jokes—was harmful, and they pushed Netflix to pull

the special.[20] One of the employees had been part of a small group that also crashed a Netflix board meeting in protest of Chappelle and his work.[21]

Likely prompted by the streaming service losing more than $50 billion in market cap after reporting their Q1 2022 earnings and seeing that entangling culture wars and business wasn't good for their business, Netflix put out an employee memo. According to *Variety*, the memo included "a new section called 'Artistic Expression,' explaining that the streamer will not 'censor specific artists or voices' even if employees consider the content 'harmful,' and bluntly states, 'If you'd find it hard to support our content breadth, Netflix may not be the best place for you.'"[22]

While those movements tried to attack the livelihoods and social standings of these gentlemen and failed, likely because the targets were deemed too valuable to their respective business partners and they had strong support systems, others have succeeded. Ellen DeGeneres wound down her previously wildly successful daytime show in 2022 because of a string of "moral outrages," including being photographed at an NFL game alongside former president George W. Bush, which created a backlash that included allegations of a toxic work culture (some of her staff was "canceled" in the wake of this, as well). Kyle Kashuv, a teen who gained awareness as a survivor of the 2018 mass shooting at Marjory Stoneman Douglas High School in Parkland, Florida, had Harvard rescind his acceptance after a series of texts between him and some friends from when he was sixteen years old surfaced and included offensive racial language. Whether it results from videotaping someone having a meltdown at their worst moment, digging up an offensive tweet from a decade ago, or even retweeting a controversial joke, many individuals, including a slew who were not public figures, have found themselves with their social credit declining.

The less connected you are with a group that will support and fight for you, the more effective these tactics are.

Sometimes this social witch hunt happens even when the information is perceived incorrectly. Nick Sandmann, who in 2019 was a student at Covington Catholic High School in Kentucky, was falsely accused by various media and the social mob of aggression at a political demonstration in Washington, DC, an incorrect accusation made out of context. Eventually, more photos and videos disproved that narrative, and Sandmann settled lawsuits against CNN, the *Washington Post*, and NBCUniversal, the terms of which were undisclosed. However, had the other information not been

available, who knows what long-lasting outcast treatment he would have endured?[23]

Whether or not their accusations have merit, those who levy them do so with the intent to wield power and to deliver consequences of their choosing. Those consequences typically result in poor financial outcomes.

When a social moral code replaces a legal code and gains acceptance, it is only a matter of time before those in power want to leverage that dynamic to secure more power for themselves.

That begets the foundation for social compliance and social credit at the state/government level. This is the perfect tactic for the elite in a new financial world order to ensure that the people connected to them come out on top.

But how does a true state social credit system come to be? It requires two steps. The first is information-gathering on individuals. The second is those in power using the information without being challenged. When both of those become easy to do at scale, tyranny quickly follows.

At the onset of the new financial world order, both of those components are here. Technology enables easy, scalable information collection, storage, and analytical capabilities. People voluntarily shun privacy for convenience, ego, and other purposes, and so the information is available for such collection.

The social devolution where people are widely judged not in a court of law but rather a court of public approval sets up the second part—the creep of government and other powers being able to use information for compliance and to subjugate individual rights.

And so, today, we lie just a fraction of a millimeter away from a true state social credit system, the ultimate in tyrannical control. We are remarkably close to a place where by acting outside the preferred narrative, not agreeing with the mob, having a bad day, or engaging in wrongthink like not complying with government directives, criticizing the president, or being a gun owner, the government can penalize you. Potential penalties could remove your freedoms, big and small, including your ability to earn a living and provide for your family.

If you don't comply, you can't earn a living. You will own nothing.

To understand what that means and could look like in practice, I turn to the country that currently has the most advanced social credit system, China.

Social Credit: The Chinese Communist Party Model

It is easy to dismiss the notion that the US would act in a manner similar to China when it came to your rights. Ten years ago, I may have agreed the probability was low that something like that would happen anytime soon. After 2020, I can no longer agree.

We have already seen government and societal pushes for mandatory vaccines and masking, calls for (and actual) job loss for noncompliance, vaccine passports for eating in restaurants, and the government labeling a large part of the population as "nonessential."

We have politicians who regularly attack individual citizens by name. How many times has Senator Elizabeth Warren called out specific people like Elon Musk or Jeff Bezos in an effort to push policy? The distance between what the government should be doing to ensure the protection of our rights and the government overtaking our rights has shrunk so substantially that a flea couldn't make its way through the middle.

"Yes-men" and other useful idiots from the general population are more than happy to jump on board and support these state-disseminated endeavors and propaganda. It often reaffirms their point of view. Even better, in their estimation, it creates penalties for those who don't conform, disagree with their point of view, and engage in wrongthink. The useful idiots who align with the state are happy to see penalties enacted without giving an iota of thought to principles, the precedent being set, and long-term consequences.

Given that we are so close to social credit, with the social acceptance of moral judgment outside the legal system and the technical means to collect and analyze information at scale, the Chinese system provides a frightening road map.

China's Social Credit System, often referred to as the "SCS" or "SoCS," is an emerging system of gathering information and engineering compliance for businesses, individuals, and other entities—with the exception, of course, of the Chinese Communist Party (CCP).[24]

According to Horizons, a global tech and human resources consultancy, "The term 'social credit' (社会信用体 in Chinese and *shèhuì xìnyòng tǐxì* in pinyin) doesn't have a precise meaning—rather, it is an intentionally broad and vague term allowing for maximal policy flexibility." Building in the power to change the meaning and aspects of the SCS at the CCP's whim is itself a tool of control. You will see this in other systems of control that I will

cover later in the book as well, like environmental, social, and corporate governance (ESG).[25]

Certain jurisdictions throughout China do have an associated SCS scoring system; some use a scale of letter grades or numerical values, but this has not been codified and standardized throughout the country as of yet.

SCS is primarily about gathering and analyzing behavioral data of individuals, then rewarding or punishing certain actions to force individuals into compliance with the types of behaviors the CCP wants and eliminating or suppressing behaviors they don't.

The Mercator Institute for China Studies (MERICS) describes the SCS efforts as being "focused on the establishment of comprehensive digital files that track and document legal compliance."[26] I would add moral and social compliance as well.

SCS is wrapped in their perception of the concept of "trust." Trust is not a new thing for societies. Whether in China or the US or just about every country around the globe, there is a certain moral code within society. Some elements of trust are formally codified into a legal system that balances individual rights (as in the case of theft, for example), and some of it is just what others find acceptable (perhaps distasteful and offensive, but not illegal, such as using foul language in public).

Social credit takes the concept of trust in society and puts it in the hands of central planners to dictate their morals and other priorities. This is fascism masquerading as trust. It is a tyrannical and complete centralization of powers and control over the population, with no regard for individual rights.

The History of China's SCS

The Chinese state has a history of tracking its population. Dating back to the Mao regime, they used analog (paper) files to keep track of key pieces of information on individuals called the *dang'an* (which loosely translates in English to "record"). According to the Visual Capitalist, the *dang'an* contained information such as "an individual's school reports, information on physical characteristics, employment records, and photographs. These dossiers, which were first used in the Maoist years, helped the government in maintaining control of its citizens." They nickname the SCS the "digital *dang'an*."[27]

Obviously, the CCP isn't known for its protection of individual rights (the first clue is the word *communist* in the name of the party). From the cultural flouting of intellectual property protections to systemic rights violations against the Uyghur population in the country, individual rights are substituted with "common good," which is code for what the elites in control want.

It shouldn't be a surprise that elements of social credit systems throughout history have often been associated with communist regimes.

Another item of note is how their social credit system morphed quickly from specifically financial to more broadly social, taking more liberties along the way. As Horizons explains, "The system began with a focus on financial creditworthiness, similar to credit scores used in western countries, and moved on to include compliance and legal violations. The eventual 'end-state' of the system is a unified record for people, businesses, and the government, which can be monitored in real-time."[28] This is emblematic of how swiftly a shift can occur, in this case from creditworthiness for a specific purchase or investment to control of every aspect of an individual's life.

The most relevant recent developments regarding what we think of as the Chinese SCS today happened in 2014, when, according to the Diplomat, "the Chinese State Council released the 'Guidelines of Social Credit System Construction (2014–2020),' outlining the goal of establishing a basic social credit system by 2020."[29]

Building from that guidance, according to MERICS, "43 pilot cities have launched SoCS projects since 2014, culminating in the selection of 28 model cities between 2018 and 2019 as test beds for nationwide implementation of SoCS." As one might imagine, different geographic regions have different issues and priorities, and so what and who they targeted, particularly from an industry standpoint, has some variance.[30]

It was reported that as of December 2020, more than 80 percent of China's jurisdictions (such as provinces, autonomous regions, and municipal cities) had developed or were planning to issue SCS-related regulations and laws.[31]

The system today is still evolving, a work in progress. That doesn't make it less concerning. It remains front and center, and new realities are incorporated into its design. For example, during Covid, while the pandemic

put some of the program expansion on hold, the health event was itself incorporated into the system.

Currently the SCS in China is more developed around businesses than it is for individuals. This is key to understand, as it relates to the theme of this book and wealth creation. While China moved a bit more toward capitalism, the economic independence of those who have benefited from that move has been perceived as a threat by the CCP. As an example, billionaire entrepreneur Jack Ma went missing in China for several months in late 2020 after criticizing the Chinese banking industry and making other non-CCP-friendly comments.[32] He reemerged months later, and in January 2023 it was reported that he had given up control of Ant Group, taking his voting rights down to an estimated 6.2 percent. Note that “Chinese regulators pulled the plug on Ant’s $37 billion IPO in November 2020 and ordered the company to restructure its business.”[33]

Limiting and controlling wealth creation opportunities is a key method for controlling a society, and so it makes sense that China would focus on that first in terms of social credit, getting those with any sense of entrepreneurialism or capitalistic instincts “in line.”

That doesn’t mean that SCS isn’t impacting individuals.

It is worth noting that when we talk about the issues around social credit, while all of the endeavors may not officially be a part of what China calls their SCS, or what any other country might, they in concept still lead to the same outcomes: centralized power and control over the individual. MERICS reports that the SCS is just a small piece of the CCP’s control framework: “The Social Credit System remains the least digitized of China’s tech-driven monitoring and surveillance initiatives. It relies heavily on human investigations, reports, and decisions. This also leaves room for traditional vectors of individual and political influence.”[34]

As I mentioned, the path to social credit requires acceptance and technology to access and analyze data. The CCP doesn’t care about acceptance, given how they rule. On the technology side, China’s SCS is heavily backed by a variety of technologies. It is focused on gathering information on everything from what you look like to who your family members are to where you work. The “digital *dang’an*” is backed by “big data” algorithms and artificial intelligence (AI) to identify issues and noncompliance on an ongoing basis. Additional technology implemented

involves drone monitoring and facial recognition matched to a database that has more than 1.3 billion photos.[35]

Rewards and Punishments

Some aspects of the SCS are the equivalent of the gamification of life by the government. If you do something that is deemed good, you will be rewarded. If you do something that is deemed bad, you will be punished. The "good" and "bad" are not tied to the typical infringements of others' rights, like the US legal system, but rather a variety of behaviors, some that may seem like insignificant personal choices, others that are bona fide illegal activities. All of this is dictated by the ruling party.

Depending on the scope of your behaviors, sometimes due to an individual infraction, sometimes from a cumulative result, you may be placed on "blacklists" or "redlists." As you can imagine, a blacklist bans individuals and entities from access and activities. A redlist can confer upon you perks, privileges, and other benefits for being deemed a good citizen.

The types of punishments and blacklist ramifications are still evolving. Currently, being on a blacklist may preclude you from access to jobs, access to financial accounts, prevent your kids from attending schools, and even publicly shame you in person, online, or via TV channels. It ensures that you will own nothing.

Another blacklist penalty is restricting your ability to travel. From Horizons: "Reports in 2019 indicated that 23 million people have been blacklisted from travelling by plane or train due to low social credit ratings maintained through China's National Public Credit Information Center."[36]

At the business level, being blacklisted can lead to additional audits and government oversight of your company.

The complexities of noncompliance go beyond simple penalties; they overtake your life, by design.

So, what gets you negative points or on a blacklist? Being behind in paying your debts is a big one, from all reports, as is refusing to serve in the military. But even personal, mundane actions or nonactions are judged. For example, in Shanghai, not visiting your elderly parents is an infraction.[37] Loitering, spreading "fake news" (whatever that is deemed by the powers-that-be), cheating when playing video games, taking up too much room in an airplane, making an insincere apology, jaywalking, and blocking sidewalks

are all activities that can lower your social credit score and lead to punishments.[38]

A variety of behaviors and actions reportedly can get you "good points," at least in certain jurisdictions. For individuals, these include praising the government on social media, donating blood, and charity. Think about the implications of that—while perhaps seemingly innocuous, this is the government controlling speech, personal health choices, and personal finances, respectively.[39]

The CCP doesn't believe in true property rights, and so Chinese citizens already truly "own nothing." The SCS is meant for the CCP to gain further control over each person's life and uses the termination of any semblance of freedom and ownership they might enjoy as a threat.

Being on the Blacklist

NPR recounted the story of a man on the SCS "blacklist" in China. His name is Lao Duan, and he previously had a business as a physical intermediary for coal—buying, storing, and, ultimately, selling it. When the Chinese government enacted a change in its coal energy policy, the price of coal collapsed. With this massive government-enabled price change, Lao Duan found that he couldn't pay back the loans he had taken out. He was put on the blacklist by a Chinese court. They froze his credit card and financial accounts.

One day, he went to purchase a train ticket with another form of payment but was barred from making the purchase. Via an interpreter, he told NPR, "One thing that comes along with the blacklist, the untrustworthy list, is that you are barred from high-end consumption, which means that you can't take a speed train. You can't fly."[40]

Next came public shaming. In a staggering scene that could have been out of an Orwell novel, Lao Duan saw his face, name, and unique ID number projected on a giant electronic billboard highlighting various "untrustworthy" individuals. He told NPR that he recognized many faces from the billboard as former coal industry colleagues.[41] People who found themselves in a bad situation explicitly because of a government policy change were now being further penalized, as well as ostracized, by the government.

Red Light, Green Light

Social credit and technology are a dangerous combination. In terms of China's SCS, some citizens found themselves playing a different version of the kids' game "red light, green light." While not as perilous as the *Squid Game* version, it highlights the ways the already dodgy SCS can be further bastardized.

In China, the government has been using smartphones to restrict movement under the guise of Covid monitoring. If you have a clear Covid test, when your code is swiped, the code shows green. If you have tested positive for Covid, your code turns your smartphone screen red upon scanning.

The *Wall Street Journal* reports that in mid-2022, a number of individuals who found their bank accounts frozen (related to other financial issues in China, including a real estate crisis) went to the Chinese city of Zhengzhou for a protest of these financial institutions.[42]

One individual named Ye Mijian had no Covid sickness or related restrictions. He swiped his app to board the train to Zhengzhou, delivering a green light. When he exited the train, he swiped the code again. But, despite no actual change to his status, it turned red. Local officials made him quarantine in a local hotel for two days.

He was unable to protest, and when he was let out of his mandated quarantine, he swiped his phone, and his screen went back to green.

Ye's circumstances were not isolated. Many other protesters found the same thing.

After a large uproar regarding several similar situations in a couple of cities, Chinese officials denounced these actions, but actions speak louder than words.

The WEF and ACS

Money is the throughline in the quest for power and control. So, not surprisingly, that quest often not only ends with money but also begins with money. In the realm of social credit in China, the system started with financial credit assessments and branched out from there. That same foundation is being championed elsewhere as well.

Another credit scoring system with social ties is being promoted by a variety of powerful entities, including the World Economic Forum (WEF), an entity connected with the world's elites that is trying to shape the global landscape based on their vision (and of course their quest for power). They are the same group that has predicted, for 2030, "you'll own nothing." I will go into them more in Chapter 3.

This system is called Alternative Credit Scoring (ACS). As a way to sell it, it is being positioned as a mechanism to help create more financial inclusion for the underbanked (because, of course, I am sure they all truly care about the "underbanked").

ACS was part of the WEF's Davos Agenda for 2021, and details have been shared in an article on the WEF website. ACS is currently targeted at emerging economies where they don't have the same types of banking and financial data and where purchases and financial transactions tend to run through e-commerce. ACS leverages AI and other technology to build digital profiles on consumers.[43]

Some of the data collected as part of ACS includes asset ownership, utility payment records, and other bureau reports. That all sounds somewhat normal.[44]

Then, it starts to go off the rails. Also included in this profile are location data, social media data, and psychometric (aka psychological measurement) test data that go into your file, get analyzed by AI, and return your score.

A graphic included with the article explains, "ACD (alternative credit decisioning) involves the leveraging of unconventional consumer information in combination with conventional credit sources . . . to predict creditworthiness."[45]

"Unconventional consumer information" is quite the explanation, wouldn't you say? Following people's every move, using personality and behavior outside of just their capability to pay to allow access to financial products, sounds like one of those good ideas that can go horribly wrong.

The WEF goes on to say about this arena, "Consumption-related data is everywhere. Unfortunately, it is non-uniform, disorganised and scattered. In the initial phase—the consolidation process—the finding, identifying and capturing of data must be conducted. Then, we use basic data cleaning, correlating and storing technology concepts to build the unified BigData concept. Only then do we have a basis for leveraging advanced technology

(AI and DS modelling) and can start correlating, experimenting and building models."[46]

What could go wrong with the WEF and other elites promoting the collection, consolidation, and analysis of more and more data about you? Just about everything.

The piece also shares an image from consumer financial services reporting bureau Experian showing all the kinds of data it hypothetically could collect and use in conjunction with ACS. From your smartphone, it shows that it can use your contact information, GPS location, and mobile and data usage. It can use your travel patterns, your spending patterns, and more.[47]

Of course, some of these types of data are already used in underwriting risk. If you have a credit card, your card company may contact you about an out-of-state purchase that was flagged in analyzing a different location versus where it believes you to generally be spending your time.

However, as we will delve into later in the book, bad outcomes often start as innocuous ideas. With the incorporation of personal data like psychometrics and social media tied to money starting in emerging markets, it may not be long before that comes to a government near you.

An article in Slate mused about a version of this future:

> we imagine a time when credit scores do indeed take into account not just our payment history, but our entire social web. . . . your credit score can be augmented by simply looking at how positive your comments are, how often you "like" posts from high- or low-risk accounts, how quickly you respond to DMs, and even how long you spend mindlessly scrolling. How often do you text your friends back? Did you call your mom on her birthday? . . . It all adds up to a nice little score at the top of a brightly colored readout: your credit score, enhanced.[48]

Again, this isn't a conspiracy or fringe set of theories. These are concepts being used and evaluated by major governments and big businesses around the world and ideas being proposed by entities with ties to the leading financial and consulting organizations in the world.

As we move into the new financial world order, and with entities from tech companies to governments looking to exert more power and control, normalizing "alternative" personality and nonfinancial behavior mechanisms to go into files and scores is fraught with issues.

A Stone's Throw from Social Credit

On April 27, 2022, in an announcement that seemed to come straight from a George Orwell novel, the Biden administration announced the formation of something called the Disinformation Governance Board, or DGB, as a part of the Department of Homeland Security.

What could possibly go wrong with the government being the arbiter of what is truth and what is not? As demonstrated by China—as well as the US in recent years—a whole lot can go wrong.

The endeavor was explained in a report from the Associated Press: "The Department of Homeland Security is stepping up an effort to counter disinformation coming from Russia as well as misleading information that human smugglers circulate to target migrants hoping to travel to the U.S.-Mexico border."

Of course, it is always fear and crisis that are used for the subjugation of rights and the theft of liberties.

The explanation and rationale might seem reasonable to some. But an op-ed in the *Wall Street Journal* nailed the issue, saying,

> The stated goal of combating mis- and disinformation is framed to seem unobjectionable. Who objects to truth and pines for falsehood? DGB experts will guide the way, separating the informational wheat from the disinformational chaff. But there's one small problem with empowering "truth experts": Experts are people. People respond to incentives. Therefore experts respond to incentives.[49]

Not only are "experts" people who sometimes make mistakes and whose behavior is motivated by a variety of incentives, but also government officials and their helpers are typically seeking more power for themselves, and that comes at your expense.

Laughably, about two weeks after the DGB announcement, the White House told a whopper so big that even the major news media couldn't ignore it. A CNN headline proclaimed, "White House tweet falsely claims 'there was no vaccine available' when Biden took office." This was an easily provable falsehood, particularly given that Joe Biden himself was first vaccinated under the Trump administration. That is one of the myriad pieces of misinformation and disinformation that have come out of the administration on topics ranging from the economy to the border. Despite their propensity to run afoul of the truth, not to mention our free speech rights, they want to be charged with monitoring misinformation—for your good, of course.[50]

The woman chosen to run this disinformation control effort was Nina Jankowicz, who had been an advisor to the Ukrainian government.[51] There were also questions about her own role in sharing disinformation. *New York* magazine said, "Critics noted Jankowicz's coziness with some liberals, her iffy comments on the Hunter Biden laptop story (whose ill-conceived censorship at the hands of Facebook and Twitter remains a hot conservative topic), and her endorsement of the largely debunked Steele dossier."[52]

There was immediate pushback to the board itself, including various references on social media and alternative media calling this new board the "Ministry of Truth," a nod to the fictional government agency in Orwell's *1984* that created its own version of reality, covered up and changed anything that didn't fit with the desired state agenda, and force-fed it to the public.

After just three weeks, the initiative was put "on pause." The phrasing was interesting because it didn't suggest it was being abandoned but rather that the heat needed to cool down.

A *New York* magazine piece said, "[P]resenting anyone from the government as an arbiter of truth in 2022—much less defining 'disinformation' in a way that more than 40 percent of the population would agree with—seemed doomed from the get-go."[53]

What the Twitterverse and certain other media were willing to acknowledge that the pro-censorship crowd wasn't was that it sounded like something that would come out of the CCP, not the USA.

That's the point. We have lived through government narratives around Covid—including those related to vaccines/therapeutics and masks—becoming items that couldn't be argued with, even when much of what was portrayed as misinformation has proven to be fact.

The government pressured tech companies to remove posts that disagreed with or contradicted their narrative.[54] Many scientists, doctors, and regular individuals saw their ability to object and speak freely censored and found themselves deplatformed.[55]

The Heritage Foundation related this behavior back to social credit:

> In the United States, the increasingly oppressive collaboration between public and private entities is not enforced at the barrel of a gun. It arises from an ideological symbiosis between tech incumbents and government officials. This has allowed governments to successfully encourage tech companies to help police the discourse of ordinary Americans. For example, then–White House press secretary Jen Psaki admitted in July that the White House works with Facebook to

monitor and police speech and later insisted that other private platforms should be "doing more" of the same. . . . [56]

Homeland Security Secretary Alejandro Mayorkas indicated his organization was working with tech companies to strengthen "legitimate use" of private platforms. Twitter reportedly deferred to the California Secretary of State's office when flagging and scrutinizing questions surrounding the 2020 election and criticism of President Biden.[57]

The pause of the board was short-lived and rebranded—chef's kiss perfection for a disinformation initiative. The Heritage Foundation reported, "In fact, the administration has announced that former Homeland Security Secretary Michael Chertoff and former U.S. Deputy Attorney General Jamie Gorelick will take the baton from Jankowicz and continue down the disinformation track. This plan is no better than the first one. . . . What the left and the Biden administration fail to recognize is that it cannot gain the public's trust regarding misinformation or disinformation."[58]

I would say it is deeper than that; we have free speech as the first protected right in the Bill of Rights to ensure our individual rights are protected against the government, regardless of who occupies the White House. To have any government entity as a type of arbiter of speech stands at odds with our natural rights and is a mechanism for social credit–type control.

Moreover, the government's definition of disinformation (and, by extension, that of many social media platforms) by their own actions is not "things that are factually untrue," but rather, "things that disagree with the narrative."

Information as part of social credit is not just close; it has happened. Not complying with vaccines as social credit has happened. This was done with the approval of much of the population, some of whom were willing to "rat out" others for wrongthink or noncompliance. This came about with government and Big Tech collaboration. This happened in a short period of time with no formal process. The next steps will be worse.

With the technology and tools to scale it, it's only a matter of time before it is further weaponized.

A Red Flag on Red Flags

It is not a coincidence that some of the worst genocides in history, from the Armenian genocide to the Holocaust, have begun with the disarming of the

population.

With the trajectory of the government and its actions, having a well-armed population (aka a well-regulated militia) is critical for keeping the balance of power between the people and the government.

Arms are also important to help protect your property, not just from the government, but from mobs when nobody else shows up. The right to bear arms is fundamental to individual rights and intertwined with freedom and property rights.

In late June 2022, Congress passed new gun control legislation. The piece that raised eyebrows included funding for the expansion of red flag laws.[59] The concern, tied into what we have been talking about, is that, intentionally or unintentionally, people could lose their right to self-defense without due process.

Due process is the cornerstone of American justice. As Fox News host Tucker Carlson said in a monologue on his show, “In our system of justice, citizens cannot be punished without first being charged with a crime. Politicians cannot just decide to hurt you, throw you in handcuffs, lock you in jail, seize your property simply because they don’t like how you think or how you vote. No. Before they punish you, they have to go through a formal process in which they describe which specific law you broke and exactly how you broke it. They have to prove it.”[60]

Carlson continued, “Under red flag laws, the government doesn’t have to prove you did anything wrong in order to strip you of your most basic rights. All that’s required to punish you is a complaint, possibly even an anonymous complaint in which somebody says you seem dangerous. Now, that complaint doesn’t come from a grand jury. It can come from anyone, including someone who hates you or someone who simply doesn’t like your politics. It doesn’t matter because no jury will ever see it. On the basis of that unproven complaint, you lose your freedom and your ability to defend yourself and your family.”[61]

This is a frightening extension of social credit, one that undermines rights and freedoms, including property rights. The slow creep and acceptance of these unconstitutional actions cement them as such. The Constitution is just a contract. If the contract isn’t enforced, it ceases to have meaning.

New York is further blending the social credit components we have been talking about with this desire to take away Second Amendment rights. The state has passed a bill requiring firearm applicants to list three years’ worth

of all social media accounts and provide "good moral character" references in order to exercise their constitutional rights.

Fortunately (for now), at the end of December 2022, New York State's Supreme Court ruled that New York's "red flag law" (aka the Extreme Risk Protection Order Law) was unconstitutional.[62]

Still, it is clear that your speech and good standing in society will now be used as leverage for you to exercise your most fundamental rights. That's the true red flag—in fact, it's a neon red sign of tyranny.

Having your rights infringed is all part of the new financial world order and the plan to have you own nothing. It becomes easier to enact if you can't physically fight back or defend your property.

Digital IDs

In the US, if and when you received your Covid vaccine, you received a "vaccine passport." This analog card was filled in with basic information about you and the dates and product information related to which vaccine you received. It was then updated for each subsequent dose or booster shot you received. You may have perceived it as just a piece of cardstock, but in reality it was much more: an early form factor of a social credit card. In fact, certain jurisdictions would not let you actively participate in society, such as entering a restaurant, without this card. You must show the card or you are socially unacceptable.

Some jurisdictions took this social card to the next level and digitized it. For example, New York State implemented the Excelsior Pass *Plus*. According to their website:

> Excelsior Pass *Plus* is a secure, digital copy of your COVID-19 vaccination record or negative test results. . . . [63]
>
> Your Excelsior Pass *Plus* provides safe access to your COVID-19 vaccination record or negative test results. The inclusion of health information enables you to have a verifiable record of your COVID-19 vaccination or negative test result at your fingertips. It includes the same information you would find on your CDC Vaccination Card or paper laboratory test results for record-keeping and/or usage outside of New York State.[64]

While Excelsior Pass *Plus* was an opt-in program, it reminds us how technology facilitates the collection of data and the implementation of social credit. These digital vaccination passes, also widely used in Europe, which

generated a QR code that could be scanned to verify if you were approved to participate in society via your vaccination passes, are clearly a precursor to digital IDs. Using fear, safety, and virtue signaling as a way to make them acceptable, they have laid the path to more intrusive data collection.

Once the government has started a digital file on you and created the infrastructure for collection and storage, why not fill it up? Why not link it to financial information or a digital wallet? Perhaps they can link up with your other accounts—for *your* convenience, of course.

Once those who stand to profit, including the big financial service firms and the tech companies, think of ways they can monetize having access to more information, they will be all too happy to help develop, implement, and promote them.

This is all quite similar to the ACS model we talked about earlier. It is also fraught with similar risks to the red screen that would-be Chinese protesters encountered via their Covid apps that kept them from engaging in protests.

Of course, the profiteers are already figuring out how they can participate. There is a group called the ID2020 Alliance, found at ID2020.org, which "is building a new global model for the design, funding, and implementation of digital ID solutions and technologies."[65]

They are doing this, of course, for your protection and benefit—out of the goodness of their hearts, really. Their website says, "We need to get digital ID right. Identity is vital for political, economic and social opportunity. But systems of identification are archaic, insecure, lack adequate privacy protection . . ." and so on.[66]

They are already implying that your identity will allow for participation in society and they want to build something new to facilitate this. It's saying the quiet part aloud.

So, who are the partners in this ID2020 Alliance? According to the website, "No government, company or agency can solve this challenge alone. Setting the future course of digital ID and navigating the associated risks is a challenge that requires sustained collaboration and global partnership." Ah yes, the good old we are all in this together. And the Good Samaritans who are championing this for our benefit include "founding partners" of consulting firm Accenture, technology firm Microsoft, Gavi: The Vaccine Alliance, the Rockefeller Foundation, and IDEO.org, whose website states, "We design products and services alongside organizations that are committed to creating

a more just and inclusive world." General partners include other names you will recognize, such as Facebook and Mastercard.[67]

This self-appointed group, which undoubtedly has at least one entity involved that raises your eyebrow, is now working on something that could be extremely dangerous. Once there is money to be made, those with a financial incentive or who see the financial opportunity will find useful idiots to help entrench this in society. Once highly sticky technology gets rolled out and used, it is extremely difficult to remove it from use.

The Not-So-Free Freedom Convoy

Truckers are a lifeblood of any economy. They transport critical supplies, food, and other goods from one location to another so that we all can enjoy an improved quality of life. Truckers were also on the front lines during the Covid pandemic, making sure grocery store shelves were stocked and hospitals had lifesaving supplies.

In Canada, when their livelihoods were used as a hostage-negotiating tactic for vaccinations required to cross the US border, many truckers understandably became fed up. Beginning in western Canada, independent truck drivers and their supporters led protests across that country, eventually converging in the capital city of Ottawa. This became referred to as the Freedom Convoy.[68]

These protesters were fighting against infringements on their rights. They wanted mandates repealed that would force them to take a vaccine or lose the ability to work, dine out, or freely travel.[69]

After several weeks, the prime minister of Canada, Justin Trudeau, took an extreme measure by calling the convoy a national security risk and invoking temporary emergency security powers. Police began to arrest these peaceful protesters, but that was just the beginning.[70]

The Canadian government invoked authority to cut off the protesters' financial resources. The government "obligated" processors of financial transactions, including crowdfunding sites, to report any funding, including donations that "they deemed suspicious," to the government authorities.[71] The *Wall Street Journal* reported that "financial institutions froze more than 200 financial accounts belonging to individuals and an account held by a payment processor with a value of 3.8 million Canadian dollars, or the equivalent of

$3 million. Police also ceased transactions involving 253 cryptocurrency addresses."[72]

Despite outrage from civil rights groups, thought leaders, and others, the Canadian government proceeded to treat protesters and dissenters as terrorists.

Not surprisingly, freedom-supporting allies in the United States took to crowdfunding sites to try to help. A GoFundMe page was put up and raised more than C$10 million from supporters. Despite its headquarters being located in California, the site bowed to political pressure from the Canadian government. GoFundMe put out a statement saying the fundraiser was a violation of their terms of service as its reason to remove it from the platform.[73]

Another US-based crowdfunding site, GiveSendGo, was used to raise close to $10 million from supporters, many of whom reportedly resided in the US. Hackers decided to align with the Canadian government, attacked the GiveSendGo website, and leaked private data on who had made the contributions.[74] The hackers posted a message intimating that the protest was an "insurrection" and alluding to the Canadian government's desire to freeze the assets of the participants. They also tried to equate the fundraising with the January 6, 2021, riot at the US Capitol.[75]

This is a perfect example of how social credit is being seeded. People wanted to live freely. But for the truckers, that wasn't aligned with Canadian government mandates, and it wasn't aligned with the "current thing." Their bank accounts were frozen. Big Tech aided the government, even when it was another country's government! While individuals tried to help, others turned not only on the people who weren't complying but also on the ones who were offering assistance.

While Canadian officials said the truckers' accounts had been unfrozen in late February, the damage had been done.

In 2017, WEF president Klaus Schwab participated in a discussion at Harvard's John F. Kennedy School of Government, where he talked about key politicians who have been featured as WEF Young Global Leaders.[76] One of the names he bragged about was Canadian prime minister Justin Trudeau. Schwab then said, "So, we penetrate the cabinets. So, yesterday I was at a reception for Prime Minister Trudeau, and I know that half of this

cabinet, or even more than half of this cabinet, are . . . young global leaders of the World Economic Forum."

In the case of Canada and Trudeau's cabinet, this includes Chrystia Freeland, deputy prime minister and finance minister, and former WEF Young Global Leader.[77] Freeland was reported to be the force behind freezing the Freedom Convoy protesters' bank accounts and certainly was the public face of defending the decision.[78]

I am not saying there was or was not any direct correlation here, but it is clear that there are numerous powerful people of a similar mindset who hang out together and are happy to put you on the path to owning nothing if you don't comply with their wishes.

Will You "Own" Your Children?

As social credit seeks to make moral or power-based decisions regarding what is appropriate behavior, what is important, what you can have access to, and what you cannot if you don't comply with the narrative, that same type of power is being exerted in another sphere. This is regarding "ownership" of your children.

I hate to speak of one human being "owning" another, but kids belong to their parents or legal guardian. Parents have the rights and responsibilities for their minor children, not the state, not teachers' unions, nor any other group of elite and well-connected. So I use the phrasing of "ownership" of your children to try to convey that the powerful are trying to separate you from the influence and rights over your children, wanting to insert themselves in your place.

In Orwell's *1984*, the "Party" (aka the state) comes between parents and their children, disrupting the normal relationship and standing between parent and child. Instead of the parent being the authority figure, they are replaced by the state as the one shaping the children, to the detriment of their parents. The disruption of the family was a means for the Party to gain more power and control, and to ensure that the ideas absorbed by future generations were the ones that the Party wanted.

This has also played out in history. While I try to use references to Nazi Germany sparingly, when they are applicable they must be pointed out. In Germany, the Nazis sought to take advantage of the fact that young people are

easily programmable and eager to please authority figures (plus, eventually, they make great soldiers for a cause) in establishing the Hitler Youth program. It was set up in 1933 to teach young males Nazi principles. Estimates are that by 1935, around 60 percent of all German boys were part of the program, and, according to *Britannica*, "On July 1, 1936, it became a state agency that all young 'Aryan' Germans were expected to join."[79]

These young people often spied on community members, including their parents, while they did the bidding of the state.

Today in the US, steps are being taken that illustrate how state-run schools already believe that they have some sort of ownership over children. Again, I understand how this can sound conspiratorial. You may be thinking, "Carol, *1984* is a work of fiction, not a government playbook, and we don't live in Nazi Germany." But I plead with you to keep an open mind and look at the way certain trends are connected before you dismiss this.

Over the past several years, a lengthy list of issues, including curriculum and educational materials transparency and teachers keeping information about children from parents, has been the source of parental angst and backlash during school board meetings around the US. Other parents have expressed concerns about free speech, both for the child and for the parents, discrimination based on race and other immutable characteristics, transparency of school meetings, and privacy, among other issues.[80]

As parents sought to fight back, some found themselves targeted as domestic terrorists by the FBI and Department of Justice.

In May 2022, parent activist organization Moms for Liberty announced on their website in a news release, "Moms for Liberty responds to DOJ Whistleblower Letter Confirming They Were Investigated by FBI after AG Garland Testified Under Oath Parents Were Not Being Targeted." They continued: "We now have proof of what many of us suspected and some of us knew: that the Department of Justice was using counter-terrorism authority under the PATRIOT Act to investigate parents of schoolchildren who were exercising their first amendment right to petition their local government for a redress of grievances."[81]

Parents have sought to fight back by rallying around parental bills of rights at the state level, but in many cases they have been denied. In New Hampshire, a bill where teachers were required to notify parents on several topics, including gender-identity-related issues, failed to pass the state legislature.[82]

In early 2022 in Iowa, a bill was introduced to put cameras in all classrooms. *Education Next* executive editor Michael Petrilli wrote, "Privacy isn't the only concern for teachers. Some also worry about scrutiny of what and how they're teaching."[83] That's the issue—schools should not be able to hide what they are teaching students, and there should be watchdogs and scrutiny. However, those who don't believe that you "own" your kids or who want to replace you certainly feel differently.

Tiffany Justice, one of the cofounders of Moms for Liberty, told me, "I think just what we've seen is this idea of how dare you think that you get to . . . direct the upbringing of your child? But that's a fundamental right. . . . But this piece about it being fundamental—that these are rights that the government does not give you, and they cannot take them away, and that some of these natural rights are important to be recognized at the state level and the local level, not because we need their permission to recognize them, but that everything that lawmakers do should be done through that lens, and it's important to remind them of that."[84]

This movement will only be exacerbated by social credit. If you now have an official score or rank that deems you unacceptable to society for whatever reason, that will give the state even more license to believe you are not capable of being a good parent and that they should take over increasingly more of the parental authority and moral and leadership roles for kids. Or vice versa—if you don't comply with education mandates for your kids, that will impair other aspects of your social credit.

Not having the right to make decisions for your child, not because you have violated the child's rights (which everyone should agree is a legally founded exception) but rather because of wrongthink, puts a vastly different and scary spin on the concept that you will own nothing.

At the nexus of social credit, digital IDs, and children, the FBI announced in early July 2022 that they had created their first-ever mobile application. It was . . . drumroll, please . . . the FBI Child ID app! A tweet from the FBI promoting it says that it "provides a convenient place to electronically store photos and other vital information about your children so that it's literally right at hand if you need it." They included a clarifying note on their website: "The FBI is not collecting or storing any photos or information that you enter in the app. All data resides solely on your mobile device unless you need to send it to authorities. Please read your mobile provider's terms of service for information about the security of applications stored on your device."[85]

And we have all seen just how trustworthy the FBI has been in recent years.

You can store important information about your kid without needing the FBI's help. It doesn't seem that complicated.

It starts as a free, voluntary app. The question is, where does it go next, and to what end?

Who Decides?

The continual picking of winners and losers. Deciding who is essential and who isn't. Distinguishing who is a good citizen and how they can virtue signal and gain social clout with that designation. Deciding who will be punished by having their lives and livelihoods disrupted. That is what is at stake.

The pandemic created an unbelievably dangerous precedent for the US government putting the rights of the collective above the individual and infringing on those rights, based on the weasel words "for the good of society." We saw that if you refused to get a Covid vaccine, the government would suggest that you not be able to do certain activities (travel, enter a restaurant, etc.), and ultimately, many government workers lost their job for not complying with government mandates.

Many people did comply. These mandates were accepted and embraced by a meaningful percentage of the population. The elite now know that social credit can be an effective tool for them.

As the government is spending more time deciding what is good and right, whether it be energy or car usage or food, we are on the verge of the government being able to take away rights, privileges, and the ability to create wealth for wrongthink. While this sounds like a dystopian novel, it is here, and the government's recent Disinformation Governance Board gives us no comfort that the protection of our rights is heading in a tenable direction.

Moreover, with the new financial world order, a slew of entities may be weighing in on what is right and what is wrong, and incentivizing the racketeers and useful idiots to help them police their version of "right think."

We know that this social credit framework has already been seeded, and it sets you on the path to owning nothing, particularly as a new financial world order unfolds.

Chapter 2

A New Financial World Order, Part I

Debt Begets Desperation Begets Disorder

When I say there is a new financial world order on the horizon, it may sound like a wild conspiracy theory, but it is far from it. Rather, it is the outcome of the unavoidable combination of human nature and time. Said another way, history predicts it, and the world has been here many times before, even if we haven't personally.

As much as people innovate and advance technology and science, human nature and behavior remain remarkably constant over time. Because of that, history evolves in fairly predictable cycles, including those of "empires" or world-dominating countries.

Given that "empires" are managed, mismanaged, and interfered with by humans, money, finance, and the economy all go in cycles, too.

So, as countries shift in their overall importance in the world, ever rearranged like a massive jigsaw puzzle that is missing some pieces and is never quite finished, a variety of material events tend to bring about different financial world orders.

In each empire, prosperity leads to more people wanting to manage, direct, and benefit from that prosperity. It leads to bigger, more controlling "leadership." Those leaders inevitably take on more debt and piss off other powerful countries. Then they reach a tipping point, where their financial situation becomes too precarious, they become desperate, and they start taking action to keep their power and the empire intact.

This happened with both the Dutch and British financial empires. We have seen their relative positions as holders of the world's reserve currency begin and come to an end, the latter with the emerging global dominance of the United States.

In the US cycle, we have so far witnessed the Bretton Woods monetary system shift to the US's decoupling from the gold standard to the rise of the petrodollar, which we will dive into below. We are now seeing the US's massive debt load conflict with its power. This has weakened America's financial standing in the world. As has been the case with the financial

empires that preceded it, virtually all of that weakening has been self-inflicted.

Empires, despite their privileges, fall victim to human nature, and their leaders do very stupid things. The US has had every privilege and advantage, yet has fallen victim to the same fate at the hands of very stupid and sociopathic humans. Power and debt once again remain at odds with each other.

With the US eroding its financial position and the confluence of the above factors, we are on the precipice of a new financial world order. It is more than a perfect storm—it is the perfect financial tsunami. Those with the best access, the most wealth, and the highest-level connections see this. They want to capitalize upon it, reorganize it, and benefit from it, both domestically and globally.

This reality has significant liberty and financial implications for every American.

Russian Roulette

In late February 2022, Russia invaded Ukraine, using both land and sea missile attacks, as well as ground forces.[1] The initial global reaction leaned heavily on economic sanctions. The US, along with the European Union, Australia, Britain, Canada, and Japan, coordinated a variety of sanctions meant to cut Russia off from the global banking system and restrict access to key industries.[2] This escalated to removing major Russian banks from the international settlement messaging system, SWIFT, although not sanctioning two of the largest banks, due in large part to Europe's dependence on Russia for oil.

These sanctions had very little effect in deterring Russia, which continued its campaign of bombings and aggression. The US, along with key allies, decided to take an extreme and historic measure, one that will be looked back on in history as a turning point in the US financial empire's cycle and the overall cycle of financial world orders. The US government mandated the freezing of Russia's central bank reserve assets. The European Union and Japan followed suit.[3]

To give more context to this, Russia relies on imports for a meaningful part of its economy. They import goods that range from food to clothing to

everyday supplies; despite being the world's largest exporter of grain, they are still a net importer of agricultural products.[4] When they buy from foreign countries, they have to buy in that country's currency (or a currency more acceptable and stable than their ruble). Also, because of the lack of historical stability of the Russian ruble, many businesses and individuals in Russia tend to keep their accounts in foreign currencies, which are viewed as more stable.

This means that Russia needs access to other currencies so that its government and businesses can import products and so that those individuals who want to withdraw from their bank accounts can be given the appropriately denominated currency.

Given the stability of value expected in reserves (something I will address a bit later in this chapter), historically, economies like Russia have agreed to the rules of the game.

At the time of the invasion, Russia had about $650 billion worth of reserves at foreign financial institutions.

In the wake of the invasion, what the US, along with its allies, did next was unprecedented vis-à-vis a major economic player: they froze Russia's access to these reserves. I surmise that was meant to try to weaken the ruble, as the Russian Central Bank couldn't access dollars or euros or yen and sell them to buy rubles to keep the ruble's price up, as well as ensure that Russia couldn't fulfill obligations of a bank run for those Russian customers who wanted to be paid in currencies like dollars or euros, and ultimately, the economy would collapse and force Russian president Vladimir Putin's hand.

That didn't happen.

This giant gamble was a major bust, with implications not only for geopolitics but also for the United States' financial empire.

The US dollar is still considered the world's reserve currency. It has been, for almost eighty years, the center of the global financial universe. For this "exorbitant privilege," as it is called, the US was called upon to manage its currency not only vis-à-vis the US economy but also as the stable backbone of world trade. It has been failing at both of those endeavors for quite some time, but freezing a major economy's reserve assets did something else. It fully weaponized the US dollar.

What nation wants to support the "privilege" of having to do business in dollars as an anchor if the US, at any point in time, can keep your dollars from you and try to collapse your economy?

This was a very serious action that created enormous consequences for the trustworthiness of the US and its place at the center of the financial world order (note that trust and faith in the US government is what backs today's dollar). These actions by the US were a further catalyst for a new financial world order to begin to form.

You may not like the fact that the US plays the world's "police," but the reality is that the US has been very much looked upon as a sort of referee, based on a set of universal standards and expectations for global stability. This has helped keep some semblance of peace and prosperity globally, although not perfectly and certainly at a cost. Without the US in that role, then what happens?

It bears mentioning that these actions were undertaken with the hubris of the Biden administration, the Department of Defense, and other political (and likely business and financial) elite. There was no congressional declaration of war. There were purely these actors, with a mindset that "it's not my money." They held the attitude that they could just do what they wanted without bearing much of the literal or figurative costs.

Not only did the decision to go after Russia's reserve assets have massive blowback for the United States, but also the outcome was not as intended.

Because of the world's dependence on Russia as a critical producer of oil and natural gas, including the United States' allies in Europe, as well as India and China depending on Russian energy, the sale of energy was not fully sanctioned. This allowed Russia to demand payment in rubles and cut other deals that helped support its economy.

Russia, while having that meaningful amount in foreign currency reserves, had also been lightening up on them and stockpiling gold. It is estimated that prior to the attacks, Russia had been selling Treasurys and other central bank assets and had amassed the fifth-largest reserve of gold in the world (around $140 billion worth).[5]

In fact, four months after this historic freezing of reserve assets, CBS News reported on June 28, 2022, that "Russia's ruble is the strongest currency in the world this year" and that from January to that date, the ruble was up 45 percent versus the dollar.

This resulted because Russia was able to demand that certain nations pay for energy in rubles and implement capital controls.[6]

With sharply rising energy prices offsetting any volume declines in exports, the Centre for Research on Energy and Clean Air reported that Russia earned record-high revenues of 93 billion euros from fossil fuel exports during the first hundred days of the war.[7]

That wasn't the only blunder. The US also led a campaign to seize personal property—not government property or that of Putin and his military commanders, but the personal property of Russian billionaires called "oligarchs." These individuals found their assets seized by the US and its allies because of the oligarchs' supposed standing or ties to Putin at some point. Wherever they were in the world, mega-yachts, homes, and bank accounts belonging to individuals were taken.[8]

This was an incredible violation of property rights. The US had no information (at least that they publicly communicated) that any of these individuals had anything to do with the invasion. Some experts even surmised that the oligarchs were at odds with Putin, and vice versa. All that was communicated was that these individuals might have access to Putin, and perhaps taking their things would put pressure on them to put pressure on him.

These US government actions have three important implications in terms of your ability to generate and keep wealth.

First, these actions illustrate, in real time, the willingness of the US government to use money as a weapon, regardless of the blowback.

Second, they undermine and threaten the value of the dollars and wealth you have created.

Finally, they underscore the government's lack of protection of individual property rights when the narrative suits them.

These are all terrible developments for the future of individual rights and economic freedom.

It also represents a giant leap down the path of setting up a new financial world order.

While we don't know how long it will take or what form it will take specifically, the makings for a new financial world order are certainly under way.

To understand what may lie ahead, we need to go back to where we have been.

The Cycle of Life

Financial empires go through cycles. There is a financial ascension, a plateau, and, finally, a series of actions and events that lead to its unraveling and the emergence of a new financial empire.

In modern times, we have seen a few empires hold a reserve currency for the world on the back of free enterprise. Eventually those unraveled to see the emergence of the US as a world superpower on the back of its own financial strength.

These cycles are not coincidental. They are understood by those who research and observe history. One such perception, attributed to Mark Twain with a few small differentiations, is, “History never repeats itself, but it does often rhyme.”

The “rhymes” allow students of history to see patterns, themes, behaviors, and actions that not only are similar in form but also lead to similar outcomes.

History Rhymes: The Dutch and British Financial Empires

In recent history, while many nations have built geographic empires, on the financial front there have been two major global financial empires before America—the Dutch and the British. Charting the ups and downs of the Dutch and British empires as global financial powerhouses gives us some insights into what lies ahead for the US.

The Dutch Empire

More than a century before the Americans rebelled against England and rose to power, the Dutch rebelled against Spain, winning independence for the Netherlands during what’s known as the Eighty Years’ War and setting up their accession.

War is one of those “rhyming” catalysts for change and new financial world orders. Not every war brings about a new financial world order, but every major new financial world order has been preceded by war.

In the late 1500s, Spain found itself at war with several powers, including France and England, which gave the Dutch an opening to be more aggressive—and successful—than they had been earlier in the war. In the

1600s, an alliance between the Dutch and the French made the Spanish fearful, and by 1648 Spain had granted the Netherlands its independence.[9]

As events are never perfectly linear, it bears noting that even before the war was over, the Dutch had taken the pole position in the global economy.

Billionaire founder of the hedge fund Bridgewater Associates, Ray Dalio, who also has written about historical cycles, talks about this "Dutch Golden Age." He describes the pinnacle of the Dutch empire, saying, "This period was one of great globalization as ships that could travel around the world to gain the riches that were out there flourished, and the Dutch, with their great shipbuilding and their economic system, were ahead of others in using ships, economic rewards, and military power to build their empire."[10]

Dalio also notes that strong education led to innovation (he estimates that the Dutch came up with around a quarter of the world's inventions during the 1600s).[11]

These innovations led to the creation of industry, particularly an advanced shipping industry that built up global trade with the Dutch at the center. With strong shipping capabilities, the Dutch could reach new parts of the globe and engage in trade, extending the reach and power of their currency.

They also had a strong military to help protect their standing, built up during the latter part of the Eighty Years' War.

During the late 1500s and early 1600s, as the Dutch increased their global commerce, they invented the stock market as a mechanism for businessmen to let others help participate in the financing of their growth and expansion, as well as share in the benefits (and losses) of the growing global trade they were spearheading.[12]

The very first publicly traded company or IPO in the world was Vereenigde Oost-Indische Compagnie, or as we know it in English, the Dutch East India Company, whose offering was completed in August 1602.[13]

With that, the Dutch became pioneers in financial markets and in bringing wealth-creation opportunities to a broad swath of the public.

As the Dutch's strength as a financial center developed, they attracted investment from around the globe, making Amsterdam the leading global financial center.

Their currency, the Dutch guilder, was considered the first "country" global reserve currency (meaning one issued by a country versus traditional

precious metals, like gold and silver).

Market-based prosperity begets even more prosperity because if other participants don't do better, it is hard to find counterparties for trade and growth. But building up counterparties creates long-term competitive risks. As Ray Dalio wrote, "As other countries became more competitive, the Dutch empire became more costly and less competitive, and it found maintaining its empire less profitable and more challenging."[14]

I share this because familiarity with the subject matter and understanding what happened in the past informs what can happen in the future.

The British started building up their economic and military strength, and the Dutch and the British began to haggle over economic issues. There were economic policies put in place that are not that dissimilar to things like tariffs or "America-first" policies that you would see today. Those economic conflicts eventually turned into full-scale military conflicts.

In addition to the external pressures from other empires becoming stronger, the Dutch themselves were experiencing the part of the cycle where they became their own worst enemy. The first issue was massive debt. Another was the division and infighting around the allocation of money; this happened between geographic provinces, political "factions," and the different classes of the people. The empire's weakening also applied to the military. As the Dutch came under attack both militarily and economically, their preeminent global financial standing was eroding.[15]

Government overspending, the cost of war, and competition from other countries ultimately put the Dutch into substantial debt. This led to a bankrupt government and a collapsed financial center and currency and signaled the end of the Dutch's position as the financial leader of the world.

The British Empire

Once again, war was a conduit for change and new financial orders. After the Napoleonic Wars, an assembly of nations meant to reorganize Europe, called the Congress of Vienna, took place.[16]

The new powerful countries (the ones that were on the winning side of the war) ironed out key factors, including changes to debt obligations and monetary systems. Dalio says, "That set the stage for Great Britain's 100-year-long 'imperial century' during which Great Britain became the

unrivaled world power, the British pound became the world’s dominant currency, and the world flourished.”[17]

While there were interim financial cycles that created short-term issues, overall there was relative peace and prosperity.

Britain enjoyed economic strength, supported by a strong military. The British took over the helm of global trade once held by the Dutch. The Industrial Revolution took hold, and the cycle of innovation and productivity helped engender substantial prosperity. On the back of this, London became the world’s financial capital, and the British pound sterling became the world’s reserve currency.

The British fought hard to maintain this status against the French and ultimately won out after a French war loss.[18]

The innovation that started with the Industrial Revolution helped countries around the world become more prosperous. Inventiveness mixed with free markets improved the quality of life but also led to fighting over wealth among the classes.

Being the leading financial empire, the British expanded their government spending. Dalio notes, “As is typical at such times, the leading power, Great Britain, became more indulgent while its relative power declined, and it started to borrow excessively.” These “indulgences” were tied to both domestic and international spending, all done in an attempt to maintain status and power.[19]

Again we see the rhyme: a government engages in moral hazard on the back of the productivity of its people. The government takes on massive debts, and its financial empire starts to weaken.

The cycle continues as another power starts to emerge to challenge this financial empire.

Then, as the fighting among classes about wealth continues on the perception that the proverbial economic pie is shrinking, other countries try to take more share of the global markets. Eventually this all leads to war, which, as noted, often becomes the conduit for the official changing of the guard in terms of financial empires.

Related to the British Empire coming to a close, another war, World War I, became the predecessor to another new financial world order.

You have now seen the movie and the sequel and may have an idea of how the next installment in this “trilogy of financial empires” ends.

The Rise of the US Financial Empire

After World War I, there was again a meeting of the powers on the "winning" side to map out the new global order. The Paris Peace Conference, via the Treaty of Versailles, once again reorganized debt and decided a number of other economic and geopolitical factors.

With its strength and adherence to free markets, and backed by a strong military, the US became financially significant, and New York City displaced London as the preeminent financial center. (Fun fact: in the US, Philadelphia was actually the first major financial center, boasting both the first bank and the first stock exchange in America, but eventually New York won out.)[20]

In this interim period, there was still much about the economic and overall world order that was in flux. This is important to understand, as the changing of the economic guard is neither linear nor swift. There is usually an extended period of massive chaos and disorder, which creates an abundance of pressures, including financial ones, on countries and their citizens.

The global financial order remained chaotic and in flux until World War II, which eventually cemented the United States' global standing. As the old order was on the brink, the US and other power centers stood by, ready to capitalize.

The move to the US being the world's financial leader, including having the leading financial center, the world's reserve currency, and a strong military, was very similar to the emergence of the Dutch and British.

In the US today, we face many of the same issues that are seen emerging late in the cycles of the other financial empires. Borrowing excessively. Having an economy that is becoming expensive relative to other emerging nations. Arguments over the division of wealth. The general division of the countrymen. The emergence of other competing powers. If history does indeed rhyme, our days are beginning to sound like a children's poem.

The US Financial Empire Cycle

Within historical cycles of global financial dominance, there tend to be smaller cycles as well that bridge periods of expansion and contraction. While none of this is linear in reality, the cycles help frame the causes of the internal weakening of a dominant financial empire.

While the US toyed with a variety of different monetary systems in its early history, including going on and off a gold standard and various money "printing" schemes, and had established several financial centers, the most notable development in terms of the US becoming the world's financial empire was the Bretton Woods Conference, held late in World War II.

Bretton Woods

In 1944, representatives from forty-four different countries came together at the Mount Washington Hotel in Bretton Woods, New Hampshire, to settle how trade and commerce would happen in the postwar era. The fact that the meeting took place in the United States gave a hint as to who had the leverage in the negotiations.[21]

Postwar, the United States had around 21,000 metric tons of gold. According to the Federal Reserve, in 1930 the US held around 40 percent of the gold reserves in the world (and by 1950, the US controlled nearly two-thirds of the global gold reserves).[22] This gold backed the dollar's purchasing power. The US also had strength in terms of weaponry and natural resources like oil. The United States' counterparties in Europe were all saddled with substantial amounts of war debt. This all mattered in terms of the US's leverage and ability to negotiate.

The forty-four countries hashed out a new financial world order. The website Federal Reserve History said of this get-together, "It was an unprecedented cooperative effort for nations that had been setting up barriers between their economies for more than a decade."[23]

Leading the negotiations were representatives from both the US and Britain. For the US, the chief economist at the US Treasury, Harry Dexter White, led the charge. The British Treasury advisor and economist John Maynard Keynes was the key negotiator on the British side.[24]

As you can imagine, the two individuals had different ideas on how to set about creating a new financial world order. Both meant to draw upon lessons learned from major financial events, like the Great Depression, and set forth a way to avoid similar issues.

Keynes proposed a global reserve "currency" idea called "bancor" (fun fact: it's supposed to be a portmanteau of the French terms for bank [*banque*] and gold [*or*]).

Bancor was proposed as a sort of global fiat neutral “currency,” controlled and settled between an entity that functioned as a global central bank, with a mechanism to balance trade deficits and surpluses. It was meant only for international trade, not to be in the hands and accounts of individuals.

White had various concerns regarding Keynes’s plan, including that, given America’s financial standing at the time, much of the global trade would be going to purchase American goods and services, and the US would end up holding most of the bancor, creating a host of problems.[25]

According to the Federal Reserve, White counterproposed “a new monetary institution called the Stabilization Fund. Rather than issue a new currency, it would be funded with a finite pool of national currencies and gold of $5 million that would effectively limit the supply of reserve credit.”[26]

Ultimately, with the United States’ strength, the final plan leaned heavily toward White and the Americans’ wishes but also addressed some of the concerns of Keynes and the British.[27]

Jim Rickards, an economist, author, and financial expert, told me that the Soviets were at Bretton Woods, and that while they didn’t sign the agreement, they had some input. In actuality, they likely had a lot of input, as Rickards noted that it came out in the 1990s that White was a Stalinist agent who was given the mandate to create a system that would destroy the British Empire![28] Vox discussed this connection, noting that “a number of important records behind the mystery of White’s Soviet partnership were declassified, rich with primary evidence” and mentioned his “allegiance with Soviet spies.”[29] This is an incredible revelation regarding the foundation of the US empire at the center of the modern global financial system.

Out of this meeting came a monetary system known as the Bretton Woods system, where the dollar became the anchor for global trade, with all other currencies tied to the US dollar and a band where the currency peg could fluctuate. In turn, the dollar was pegged to gold at a fixed rate of $35 per ounce. This was the price gold had been set at in dollar terms for roughly the past decade, following President Franklin D. Roosevelt’s devaluation of the dollar in terms of its price versus gold, resetting the previous statutory price set in the Gold Standard Act of 1900, of $20.67 per ounce.[30]

Following this agreement, with the US dollar pegged to and backed by gold at a fixed price, the dollar was perceived as "good as gold" around the globe. The agreement laid out a bunch of other mechanisms to help with a global monetary system, including creating the International Monetary Fund (IMF) and what's known today as the World Bank.

This solidified the dollar as the world's reserve currency and the United States' financial empire dominance and ushered in a new financial world order.

"King Dollar" had been born.

The Visual Capitalist, in a chart depicting currency reserves by country as a portion of total reserves over time, shows that in 1940 the British pound sterling was 68.9 percent of total reserves, and the US dollar was 27.9 percent. By 1960, the US dollar was 61.7 percent of total global reserves, and the pound sterling was down to 35.1 percent.[31]

As you can imagine, this new monetary system was quite complex to implement. Economics professor Michael Bordo wrote, "It took close to 15 years to get the Bretton Woods system fully operating. As it evolved into a gold dollar standard, the three big problems of the interwar gold exchange standard re-emerged: adjustment, confidence, and liquidity problems."[32]

With this privileged position and learnings from all the financial empires that preceded us, you would think that the US would work hard to not screw this up. Not quite.

The Triffin Dilemma

It was not only Keynes who was concerned about whether the Bretton Woods system that gave us the dollar "as good as gold" for the world would work in the long run. Robert Triffin, a noted Belgian American economist, identified weaknesses in the system in the 1960s in something known as the "Triffin Dilemma."

The Triffin Dilemma acknowledges the challenge of the country that issues the world's reserve currency between balancing the interests of policy that benefits their domestic economy with the responsibility of keeping that currency "as good as gold" for the countries around the world that depend on its stability. This in turn creates a dilemma for the country's central bank—one that the Fed has run up against many times, with different decisions and

outcomes (as seen in the different outcomes under the actions of Fed chairs Paul Volcker versus Ben Bernanke versus Jerome Powell in addressing domestic versus global interests).

Additionally, Triffin believed that being the reserve currency holder and having to supply the world with ample dollars meant that the issuing country (such as the US) would be required to run trade deficits. The thought process is that demand for the dollar (or another reserve currency) makes it more expensive relative to other currencies. That is good for buying cheap imports, but from a global-competitiveness standpoint, it makes its exports more costly. This leads to a trade deficit (the value of the country's imports is more than the value of its exports).

The Downfall of Bretton Woods and Emergence of the Petrodollar

With the US now as the leading global financial empire, the country continued, as the Dutch and British before it, to leverage free market concepts. This led to innovation, productivity, and prosperity, as it had in previous cycles under the previous financial empires. The postwar period was an incredibly prosperous one for the US, with the gross national product exploding from $200 billion in 1940 to $500 billion by 1960, making the US the wealthiest country in the world.[33]

But the US government didn't learn the lessons of the financial empires that preceded it. Politicians rapidly increased government spending, to finance both the expansion of domestic government programs as well as war abroad.

Luke Gromen, a leading global economic researcher, noted in a podcast that by the mid-1950s, both the Europeans and Japanese were emerging from their postwar malaise, becoming more productive, and starting to export and run trade surpluses.[34] The Federal Reserve explains that as these economies exported more, there was less of a need for dollars, plus the US payment imbalance, military spending, and foreign aid had built up the supply of dollars globally. This change in dollar demand versus a minimally increasing supply of gold meant that the US didn't have enough gold for all the foreign-held US dollar currency.[35]

With that backdrop, America's gold reserves started to become drained. There was a concern that there would be a full-fledged run on the US gold supply, whereby the US government wouldn't "meet its obligations, thereby threatening both the dollar's position as reserve currency and the overall Bretton Woods system."[36]

A slew of monetary Band-Aids were put in place to try to keep everything together, including using currency swaps.

With a variety of geopolitical issues converging, including a run on gold in London and a not very successful gold embargo against South Africa, gold started rising in value to $42 per ounce.[37]

By 1971, the US was reportedly down to 8,000 metric tons of gold in its reserves.[38]

President Richard Nixon was faced with a handful of options. He could have reset the price of gold in dollar terms, devaluing the dollar again. It is rumored that the Bank for International Settlements suggested that gold be repriced with the peg of $150 per ounce. Or Nixon could take dramatic and transformational action.

On August 15, 1971, Nixon addressed the nation, unveiling a slew of economic policies. None of these policies was more disruptive or historic than Nixon's announcement that "I have directed Secretary [of the Treasury John] Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets, except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States."[39]

As a faculty publication from Columbia Law School put it, "the United States, which had long been willing to exchange dollars for gold at the rate of $35 per ounce, would no longer do so routinely at any price." This is often referred to as Nixon closing the gold window.[40] It was a historic endeavor that, in the short term, enabled 1970s stagflation and dollar devaluation, and in the long term, changed the course and potential for longevity of the US financial empire.[41]

The US dollar, which the entire Bretton Woods system had been built around, moved to become a fiat currency.

The Petrodollar: "Good as Gold for Oil"

The years following Nixon decoupling the dollar from gold and “closing the gold window” were fraught with financial and geopolitical chaos. The US was very dependent upon the Middle East for oil, and the major oil-producing nations weren’t too thrilled with the US taking the dollar off the gold standard, causing them financial losses due to their dollar-based revenue.[42] (Note that oil producers didn’t have a lot of choice in the matter; the dollar was the preeminent global currency and the currency used by the wealthy countries importing oil.)[43]

In October 1973, following the Yom Kippur War, President Nixon asked the US Congress for $2.2 billion in aid for Israel. This led the major Arab oil exporters, the Organization of Arab Petroleum Exporting Countries (OAPEC), to put a retaliatory oil embargo on the US and cut production. The price of oil over the next few months jumped almost 400 percent.[44]

But the US had a plan. In 1974, negotiations took place, and on June 8, what was heralded in the media as a “milestone pact” was signed between the US and Saudi Arabia, the latter being the largest producer of oil and de facto head of OAPEC.

This “pact” enhanced the relations between the countries and included a wide variety of economic and military points.[45]

This was step one of a two step-process envisioned by the US. Just over a month later, Nixon’s new Treasury secretary and deputy embarked upon a secret mission, with the backdrop of a lengthy diplomatic tour. However, their Saudi Arabian stop had a critical objective. According to Bloomberg, which found out this information forty years later with a Freedom of Information Act request, “The goal: neutralize crude oil as an economic weapon and find a way to persuade a hostile kingdom to finance America’s widening deficit with its newfound petrodollar wealth . . . Failure would not only jeopardize America’s financial health but could also give the Soviet Union an opening to make further inroads into the Arab world.”[46]

The plan, according to the Bloomberg report and investigation, was that the US would purchase oil from the Saudis and assist them militarily (with both aid and equipment). In return, “the Saudis would plow billions of their petrodollar revenue back into Treasuries and finance America’s spending.”[47]

The other key term of this arrangement, supposedly asked for by the Saudis, was that it was to be kept entirely secret. The US found ways to dance around issues to keep it quiet. Bloomberg reports that one “exception

was carved out for Saudi Arabia when the Treasury started releasing monthly country-by-country breakdowns of U.S. debt ownership. Instead of disclosing Saudi Arabia's holdings, the Treasury grouped them with 14 other nations, such as Kuwait, the United Arab Emirates, and Nigeria, under the generic heading 'oil exporters'—a practice that continued for 41 years." These maneuvers were all meant to hide the covert arrangement and the incredible amount of Treasurys that the Saudis held because of it.[48]

Luke Gromen, in the aforementioned podcast interview, said the outcome was that the dollar went from being pegged to gold to being pseudo-pegged to oil, and the oil market ended up serving as the "de facto reserve asset for the dollar." This underpins the concept of the petrodollar: what was previously a dollar "good as gold" was now a dollar "good as gold for oil."[49]

To boil it down, that means that oil is now basically priced only in dollars globally. So, if you are an oil-importing nation, you need dollars to buy oil, reaffirming the United States' position as holder of the world's reserve currency even after abandoning the gold standard.

Given the first part of the Triffin Dilemma, the US made sure to stabilize the dollar for the benefit of the world. Gromen said that from 1974 to 2005, oil mostly traded in a fairly narrow range because the US managed policy accordingly. When oil became high, monetary policy was tightened, and when oil slipped below the range, monetary policy was loosened.

Spot Crude Oil Price: West Texas Intermediate (WTI); Dollars per Barrel; Not Seasonally Adjusted; Monthly; 1946 to 2022

Source: Federal Reserve Bank of St. Louis, Spot Crude Oil Price: West Texas Intermediate (WTI) [WTISPLC], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WTISPLC, November 2, 2022.

The fact that the US was beholden to many masters in terms of policy meant that they had to make some very difficult decisions that impacted the domestic economy.

To deal with the inflation that included the price of oil spiraling too high in the early 1980s, then–Fed chairman Paul Volcker made the decision to raise the Fed funds rate to nearly 20 percent, which sent the US economy into a further tailspin, including pushing unemployment to almost 11 percent. The *New York Times* illustrated some of the backlash: “Car dealers mailed the Fed keys from unsold vehicles, builders sent two-by-fours from unbuilt houses and farmers drove tractors around the Fed building in Washington in protest.”[50]

A Financial Breakdown

As financial cycles go, this arrangement worked for a few decades (or, as put previously, “was tolerated”), but with the backdrop of a fiat currency and a lot of masters to please, the system eventually started to show serious cracks.

In 2004 and 2005, ramped-up energy demand coming out of China and robust demand in North America, as well as some supply and geopolitical

issues, created a backdrop for oil to substantially increase in price.[51] In August 2005, oil hit another high as Hurricane Katrina took out refining capacity.[52]

Normally, the Fed would tighten economic conditions to get oil back into a more appropriate range. However, they faced the usual dilemma—if they tightened conditions at home, that would likely, as it did under Volcker in the 1980s, wreak havoc on the US economy.

They declined to do this, and the price of oil skyrocketed.[53] Said in the inverse, the dollar fell sharply against oil.

The inaction and the resulting outcomes didn't sit well with the international holders of dollars. It was now taking increasingly more of these countries' dollar reserves, which were supposed to be safe and stable, to buy oil, and the US wasn't stepping in to help.

The US decided to manage the dollar for the short-run good of the US economy instead of managing the dollar for the good of the world as a reserve currency in the long run.

Then the Great Recession financial crisis hit, and the US turned to its easy money, "quantitative easing" (QE) policies.

Instead of tightening conditions with the backdrop of skyrocketing oil prices, the US central bank dropped rates to zero and started competing in the market as a buyer of Treasury securities.

This again did not sit well with countries around the world.

Gromen helps explain that China, as a net importer of oil as well as food, was a big holder of US Treasury securities (holding just more than $900 billion worth as of October 2022, down from more than $1 trillion worth a year earlier).[54] When the same US dollar doesn't buy as much one day as it did in the past, the shift threatens China's food and energy supply. The change in the dollar's value ends up becoming a national security matter for them.

On March 23, 2009, about five days after the Fed announced another round of enhanced QE, Zhou Xiaochuan, governor of the People's Bank of China, wrote a paper for the Bank for International Settlements (BIS), the bank for global central banks, effectively calling for an end to the US dollar as the global reserve currency. The paper begins by saying, "The outbreak of the current crisis and its spillover in the world have confronted us with a long-existing but still unanswered question, i.e., what kind of international reserve currency do we need to secure global financial stability and facilitate

world economic growth, which was one of the purposes for establishing the IMF?”[55]

If there weren’t clear cracks in the US-dominated financial world order before, they were becoming crystal clear now.

The Aftermath

In the last couple of decades, we have seen many calls around the world to change this King Dollar–centric system.

Various economists and countries have explored whether Keynes’s bancor idea or perhaps a global reserve currency backed by a basket of commodities might be better systems.

In 2009, the *Independent* ran a piece called “The demise of the dollar: In a graphic illustration of the new world order, Arab states have launched secret moves with China, Russia, and France to stop using the US currency for oil trading.”[56] While some of this takes years of undoing and creates chaos along the path, many countries are actively changing strategies.

We know that Russia and China expanded cooperation, going back to at least 2014.

In recent years, we have seen many of the Middle East and North Africa (MENA) region countries and other emerging markets that export oil move away from the US dollar peg. These include Angola, Argentina, Azerbaijan, Kazakhstan, Iran, Nigeria, Russia, South Africa, and Venezuela. Gromen, in his book *The Mr. X Interviews*, explains, “Rather than burning FX [foreign exchange] reserves down and then devaluing their currency, they have shown a willingness to de-peg earlier on and take the inflationary pain to their economies.”[57]

Additionally, China became the largest importer of oil in the world. Given their financial competitiveness with the US and their long-term view, they seek to pay in Chinese currency (yuan) instead of dollars. Knowing that some countries don’t want to stock up on yuan reserves at this time, they have taken to offering “a credible physical gold settlement of any offshore yuan net balances created by selling oil in yuan.” In looking at this, Gromen’s book explains, “the easy answer is that China is now many of these nation’s [*sic*] biggest customer, and these nations need Chinese goods for their people. The more nuanced answer is China is offering credible physical gold settlement,

which then gives both China and these oil exporters the ability to get away from the USD that over the past fifteen years the United States has increasingly been using as a weapon against any nation that disagrees with Washington's political agenda."[58]

Many countries have reevaluated their dollar reserve holdings, ridding themselves of Treasurys and diversifying their reserve holdings, including the addition of gold.

Ultimately, as Gromen points out, "Americans have forgotten that it is oil that chose the USD as reserve, your American politicians have forgotten that if oil chose the USD as the world's oil monopoly reserve currency, there is no theoretical reason why oil could not 'un-choose' the USD."[59]

Former senior US Treasury official Juan Zarate said in his book *Treasury's War*:

> The dollar serves as the global reserve currency and the currency of choice for international trade, and New York has remained a core financial capital and hub for dollar-clearing transactions. With this concentration of financial and commercial power comes the ability to wield access to American markets, American banks, and American dollars as financial weapons. Treasury's power ultimately stems from the ability of the US to use its financial powers with global effect. This ability, in turn, stems from the centrality and stability of New York as a global financial center, the importance of the USD as a reserve currency, and the demonstration effects, regulatory or otherwise, taken by the US in the broader international system. If the US economy loses its predominance, or the USD sufficiently weakens, our ability to wage financial warfare could wane.[60]

That leads us back to where we began in this downward phase. While the US has used its financial power and waged that financial warfare in various forms in the past, it had never, vis-à-vis a meaningful economy, fully weaponized the dollar. The actions didn't do what they were intended to do, but they did destroy even more trust in the US and its reserve currency position.

End of the "Exorbitant Privilege"

The late French president and finance minister Valéry Giscard d'Estaing dubbed the US dollar's status as the world's reserve currency an "exorbitant privilege," a phrase often used to talk about the benefits extended for being the financial center of the universe.[61] Because countries around the world need to pay in dollars and therefore keep dollar-denominated assets like

Treasurys in reserve, interest rates are suppressed within the US system. That gives the US an arbitrage opportunity, where Americans can use their low-cost capital to invest in higher-yielding assets, including abroad. This is particularly the case for the US government, which can use cheap debt to finance its spending.

In terms of being the world's reserve currency, the exorbitant privilege is the "pro" to the Triffin Dilemma's "con," if you will—plus the other glaring issue of enabling government moral hazard.

So, what are the implications of not having this exorbitant privilege should the dollar lose reserve currency status or at least be demoted to one of several commonly held globally?

Guggenheim Partners late chief investment officer Scott Minerd, speaking at the 2018 Milken Institute Global Conference, outlined some concerns. He said that the dollar losing reserve status would have "big implications on a defense and quality-of-life level." He also noted that "[i]f we wish to continue down that path, Americans will slowly surrender their standard of living. We will ultimately become a second-rate power, and we will cede our position of military superiority to other nations."[62]

This means that the dollar losing reserve status is a price you will ultimately pay in terms of your financial standing and quality of life.

A Quartz piece that covered these talks noted that Minerd's "argument rests on the relationship between diplomatic alliances and foreign currency reserves." Also, Quartz reported, University of California, Berkeley, economics professor Barry Eichengreen "notes that countries in military alliances with reserve-currency-issuing countries hold about 30% more of the partner's currency in their foreign-exchange reserves than countries not in an alliance. If the US retreats from the global diplomatic stage, argues Eichengreen, countries that step in to take its place—namely, China—will gain an advantage both geopolitically and in the amount of their currency held in reserve abroad. The ensuing global economic shift would hurt both the dollar's exchange rate and US borrowing costs."[63]

Those who have correctly pointed out that the dollar's position in the second half of the twentieth century as the world's reserve currency helped demolish US manufacturing (back to the original point in the Triffin Dilemma that we have to provide the world with dollars, and in doing so, it makes our exports more expensive versus other major export-based global economies, and we end up running trade deficits) have not seemed to face the reality that,

given where the US stands and our very costly economy, it would be very difficult for us to fully rebuild that manufacturing capacity today competitively and cost-effectively should we lose reserve status.

It seems, at least for some time, that forfeiting global reserve currency status is a losing proposition, not a win.

What Lies Ahead

With this changing new financial world order coming from the potential weakening of the US financial system, what does that ultimately look like?

Ray Dalio, who has long been a China cheerleader, thinks it gives China an advantage. “For the first time in my life, the United States is encountering a true rival power. (The Soviet Union was only a military rival, never a significant economic one.) China has become a rival power to the United States in most ways and is becoming strong in most ways at a faster rate.”[64]

Others don’t necessarily see China’s dominance as all-encompassing, but rather as an indicator of the US weakening.

Marc Faber, a financial and economic commentator, said, “I doubt that any empire in history was ever an ‘indispensable nation’ but with the rapid economic growth of China and India over the last 30 years or so, times have changed, and in the case of most countries around the world but particularly for China, India, Brazil and Russia, US hegemony is a completely outdated concept. Paul Craig Roberts, former US assistant secretary of the Treasury for economic policy, argued, ‘Neither Russia nor China will accept the vassalage status accepted by the UK, Germany, France and the rest of Europe, Canada, Japan and Australia.’”[65]

While it is clear that China doesn’t want the US as a stand-alone superpower, given the Triffin Dilemma, why would China want to hold the global reserve currency?

So, who takes over? How does this tie into some of the other financial changes that are setting up a new financial world order? Moreover, do the elites entrenched in the US government even care? And how does that play into what’s ahead? Jared Bernstein, who was an economic advisor in both the Obama and Biden administrations, penned an op-ed in 2014 for the *New York Times*, “Dethrone ’King Dollar,’” trying to make the argument that being the world’s reserve currency has more downside than upside.[66]

Is it possible that the weaponization of the dollar is intentional, perhaps to give support to the notion that the US doesn't want a dollar reserve currency? And is that all a cover because the government knows they have mismanaged the currency? Or is removing the US's standing in the world financially in and of itself part of setting up this new financial world order? Does it tie into some of the other changes going on in terms of global finance, power, and control?

What we can project is that the US is in the twilight of its financial empire. The end of King Dollar and a US-led financial world order will lead to disorder before any stable new financial world order. This disorder will lead to chaos in all kinds of ways.

Without the US willing or, perhaps, able to step in, and given that its currency no longer holds the same threat it used to, further competition for scarce resources will happen with nobody to play referee.

This will likely lead to wars, famine, and a massive death toll around the world. The world will be turned upside down and new alliances will be formed. The world's GDP and the United States' GDP will slow and there will be a reversion to an economic mean, following the massive post–World War II expansion, turbocharged by unsustainable money printing over the last several decades.

This period of incredible abundance we have been blessed with living through will be changed. In the United States, as trade blocs shift and global supply chains realign to more regional trade, everything will become more expensive. The United States will be relatively better off than other nations, but the quality of life known to Americans for the past sixty to seventy years will deteriorate.

It will be painful, as it is when you have something special and lose it.

Some of it may happen quickly; other aspects may take a very long time to realize. But it will most likely be bumpy—much more so than we are used to.

Should certain international markets get cut off or at least have restricted access, even the biggest companies may find themselves in a handicapped position. This will make them more eager to extract more money from you, offering you more ways to run your life as a "subscription or a service."

We may find ourselves short on resources. You may not be able to access critical medicines or medical devices, technical components, and natural resources that go into producing everything from iPhones to electric vehicles.

Energy could be rationed, causing major disruptions to every facet of life, including the food supply.

Of course, the burden of these changes will rest upon the middle and the working class. The wealthy and well-connected will find a way to get access to what they need. If you aren't on the inside or among the elite, you won't have that benefit and will find your life in turmoil.

This all leads to less economic stability as well—more cycles of booms and busts, alongside a lower quality of life. There are fewer opportunities for economic mobility and to move to the middle class. The middle class may barely exist. With this, predictably, will come even more unrest.

Technical know-how will be lost, as has been the case in Germany with the shutdown of their nuclear energy plants. They couldn't bring them back online at scale if they wanted to because they no longer have the individuals who have trained for that highly specialized expertise.

The elites have put us in this situation because, in thinking they are smarter and better, they have become completely decoupled from reality. Or, perhaps, more accurately, they are setting themselves up to benefit, financially and otherwise.

In mid-2020, consultants McKinsey & Company put out a study about how the pandemic would accelerate the US reshoring of manufacturing.[67] However, that is costly and takes a long time, and the data since has shown that it has only happened at a glacial pace and certainly nowhere near what is needed. The appetite for goods and services across industries will continue to outstrip supply. Should our access to international markets decrease, that could ultimately create rationing and higher prices.

These central planning actions created other issues. The elites didn't realize that their Covid mandates, which turned off a large swath of the economy, would create supply constraints in labor, finished goods and components, and other areas. They didn't realize that any transition to green energy would take a long time, creating a situation where the US was begging other countries to produce more fossil fuels and paying record gas prices and other inflated energy costs. Or perhaps this was all part of their plan as they jockeyed to come out on top in the new financial world order.

Whether it is the natural outgrowth of economic cycles, the leaning out of being the financial center of the universe, or just great stupidity (perhaps even some of each), whatever it is and whoever is bringing it about, it is

going to be a massive change. And, as usual, that change will not be to your benefit.

The elite see this and they are preparing for it.

With the backdrop of the current global financial empire nearing the end of its cycle, these well-connected people are establishing financial shifts, changes, and sometimes continuations of destructive policies that will obliterate the middle class, kill your freedoms and economic opportunities, and ensure that you will own nothing.

The new financial world disorder has barely begun.

Chapter 3

A New Financial World Order, Part II

The Enemy Forces

I have no reason to suppose that he, who would take away my Liberty, would not when he had me in his Power, take away everything else.

—John Locke

If we were just contending with the changing global financial guard in the way that empires typically rise and fall, it would be a serious challenge. But, on top of those issues, we have several other allied forces coming at us, trying to limit our freedoms, including our economic freedoms.

There is a cadre of elite individuals who have ties to various organizations, as well as ideas, causes, and companies, that threaten your prosperity. They are working to take advantage of the broader backdrop of shifting powers. The changing global financial order brings about new opportunities to prosper, like those the US took advantage of after World War II. These elites want to effect change, shape the new reality, and capitalize upon it for their prosperity and power. It's deliberate and an outgrowth of the "rhyming" of historical cycles and human nature.

Another force is coming at you via the evolution of technology. While technology has been an enabler of broad prosperity in previous empires and for most of our lives, recent technology shifts, the scope of Big Tech, and their impacts on individual rights and property rights create a new set of challenges in parallel with the empire-level quests for financial dominance.

These forces may battle together or they may battle solo at times, but what they have in common is that they want to conquer as much of your wealth as they can.

The changing backdrop of property rights provides a great starting point for exploring how this is happening.

The Shifting of Property Rights

Property rights are fundamental to wealth creation. Studying economics and history, you can see that the advent of individual property rights brought prosperity and abundance to the world. Studying wealth creation at the individual level, you can see that the way that individuals create wealth is through ownership. Ownership is enhanced with a commitment to property rights and is threatened without such commitment.

It is not a coincidence that Marxist, communist, and other derivative regimes of control don't have property rights and ownership as tenets (other than for those in the inner circle or elite ranks). Once you as an individual own nothing, it is easy for the government or similar center of power to gain figurative ownership and control over you.

I will say this many times to hit it home: if you own nothing, they own you. "They" being any combination of government, elite power-grabbers and bad actors, and Big Tech.

We have seen time and again that a movement toward government or central ownership of property takes away prosperity, and a movement toward individual ownership of property creates prosperity. The late Tom Bethell, author of *The Noblest Triumph: Property and Prosperity Through the Ages*, wrote in a *Wall Street Journal* op-ed, "What we have only recently learned, after a sustained attempt to 'build a new society' without it, is that private property will always be with us. It is one of the most fundamental institutions of mankind and there is no workable substitute for it. It is the perennial antagonist of centralized power. Without private property there can be no prosperity, no peace and no freedom. And justice itself will be a haphazard and occasional thing. Private property is 'the guardian of every other right,' as the 18th-century Virginian Arthur Lee said."[1]

Despite the World Economic Forum predictions, detailed later in this chapter, of "You'll own nothing. And you'll be happy," it's pretty clear that people throughout history who have not had ownership or not had their personal property protected certainly have not fared well and have not been happy about it.

In *Commanding Heights: The Battle of Ideas*, famed economist Milton Friedman was asked the following: "Marxists say that property is theft. Why, in your view, is private property so central to freedom?"[2]

Friedman responded:

> Because the only way in which you can be free to bring your knowledge to bear in your particular way is by controlling your property. If you don't control your property, if somebody else controls it,

> they're going to decide what to do with it . . . there's a lot of knowledge in this society, but, as Friedrich Hayek emphasized so strongly, that knowledge is divided. . . . How do we bring these scattered bits of knowledge back together? And how do we make it in the self-interest of individuals to use that knowledge efficiently? The key to that is private property, because if it belongs to me, you know, there's an obvious fact. Nobody spends somebody else's money as carefully as he spends his own. Nobody uses somebody else's resources as carefully as he uses his own. So, if you want efficiency and effectiveness, if you want knowledge to be properly utilized, you have to do it through the means of private property.[3]

Friedman was not the only noted thinker to understand the linkage between property rights and prosperity. Ayn Rand said, "Without property rights, no other rights are possible. Since man has to sustain his life by his own effort, the man who has no right to the product of his effort has no means to sustain his life. The man who produces while others dispose of his product, is a slave."[4]

This is, in effect, the concept that if you own nothing, the powers that be own you.

When the US was founded, individual rights, including property rights, were core tenets, synonymous with freedom. Friedman wrote about the symbiosis between ownership rights and human rights, saying, "property rights . . . are not in conflict with human rights. On the contrary, they are themselves the most basic of human rights and an essential foundation for other human rights."[5]

And that's how the US government was set up initially, as a representative constitutional republic with the Bill of Rights enumerating individuals' natural rights and charging the government with protecting them. In a famous *Donahue* clip from 1979, Friedman discussed our country's foundation and the role of both government and property: "Government has three primary functions. It should provide for the military defense of the nation. It should enforce contracts between individuals. It should protect citizens from crimes against themselves or their property. When government—in pursuit of good intentions tries to rearrange the economy, legislate morality, or help special interests, the cost comes in inefficiency, lack of motivation, and loss of freedom. Government should be a referee, not an active player."[6]

Property rights have expanded over time with different types of property ownership. Riches once primarily took the forms of livestock, precious metals, and land. These were often gained by conquest or inheritance.

Laws to recognize and enforce property rights allowed more people to access property and build wealth. Tom Bethell said:

> The great legal innovation of this millennium was equality before the law, which first evolved in England. In the courts of common law, all men were seen to be created equal. This had momentous economic consequences. The new equality of status encouraged the freedom of contract and the rise of an exchange economy. The transmission of property became increasingly "horizontal"—from seller to buyer—and decreasingly "vertical"—from father to son. Wealth was democratized. It was acquired by those who, by virtue of their labor and ingenuity, merited it rather than inherited it. Contract superseded status.
>
> Those with small holdings became as secure in their property rights as the owners of broad estates. This is something we take for granted. Yet 18th-century German immigrants in Maryland could marvel that "the law of the land is so constituted that every man is secure in the enjoyment of his property, [and] the meanest person is out of reach of oppression from the most powerful."
>
> This blessed condition became the basis of American prosperity, as in Britain and other West European countries. People were willing to work hard once they knew that their property rights gave them long time horizons. Governments slowly learned to refrain from depriving people of the fruits of their labor. Alas, this forbearance has been rare in human history.[7]

From this, and with the Industrial Revolution, as well as advances in the monetary system, all kinds of innovation came forth, and with that, new forms of property ownership. Machines and the output of those machines created new circumstances for ownership and new paths to prosperity. There was more trade, and, as Bethell put it, there was even more vast "horizontal" transmission of property, expanding wealth creation opportunities to all sorts of individuals.

Building on the monetary developments of financial empires before it, in the US a more robust set of freedoms begot even more wealth-creation opportunities. The business and financial sectors grew. People started more businesses and there were more prospects to take ownership of stock in other companies that were growing as well.

Adding to that, the protection of intellectual property, from brands to the designs of important inventions in a variety of fields, created all kinds of vehicles to own things of value.

This is how people create wealth. They buy real estate. They generate and implement ideas. They build businesses. They invest in the businesses of others for diversification and growth opportunities. Wealth revolves around ownership.

Decentralization is consistent with wide ownership of various forms of property, whether physical or intellectual. The dispersion of ownership pushes back against central forces of power and control. So, it may not be a

surprise that as the US cycled through its position as the leading global financial empire, it reached the part of the cycle whereby those in power wanted more for themselves and sought to gain it by removing individual ownership.

Instead of creating more opportunities for wealth and prosperity for all, the political elite have worked with special interests and big businesses to enable the "Great Consolidation" of wealth and power. They have put up more laws, rules, and regulations that make it harder for you to accumulate property and wealth.

On the land side, extensive regulations and actions post–the Great Recession have limited the supply of and access to new property. The National Association of Home Builders reported in 2021 that government regulations at all levels have added around $94,000 to the average cost of a new home.[8] Onerous property taxes mean that your home and land are never really paid for.

Business regulations have made it harder and more expensive to start and run a business. That was before taking into account the entire "Covid" slate of government policies that picked winners and losers, deeming some businesses essential and others nonessential, based not on data or science but on political clout and connections. They put mostly small businesses into financial peril, causing an estimated seven figures' worth of them to shutter forever, while transferring trillions to Wall Street, including a $3.4 trillion increase in the value of seven tech companies during 2020.

Even on the investment side, government has slanted rules and regulations in favor of the wealthy and well-connected and manipulated markets in a way that has turned off a lot of retail investors.

Property ownership was already on the decline, due to a variety of late-stage financial empire behaviors, before layering in the active efforts of governments and elites to limit all kinds of agency, freedoms, and rights and ensure that you will own nothing.

You may think it sounds insane that a wealthy country would destroy ownership in order to consolidate power, but history shows that "barbelling" a population—basically removing all midlevel and working-class wealth opportunities and leaving just the poor and the elite—is quite common. For a recent example, I direct your attention to Venezuela, which had the fourth-largest GDP in the world in the mid-twentieth century. Under the guise of creating more wealth and "equality," Hugo Chavez nationalized thousands of

companies and/or the assets of companies. Nationalizing is the process of removing individual ownership and property rights; it centralizes control and ownership with the state. That didn't work out so well for the people of Venezuela, who were recently estimated to have a median net worth of zero.

The reason is always a money and power grab.

There is one final piece of the shift in property rights, which relates to technocracy, which I will explore in greater detail in Chapter 6. In our property evolution—metals, land, machines, businesses, stocks, intellectual property—the tide has turned with the latest round of technology. New, powerful technology has not enabled you to own more but, rather, has taken ownership away from you.

You may own a smartphone, a veritable supercomputer, that you carry around in your pocket. But what do you own of value? The value is in the access the phone provides. If the operating system, which you sign an agreement to license, not to own, is not available to you, you can't do anything. You own a fairly useless brick of plastic, glass, and microchips.

More people are investing time, energy, and even money in things they don't own. Kids and adults spend time buying virtual goods for their virtual avatars or even "investing" in digital lands where you don't have an asset appreciation opportunity, you can't sell it, and you have no way to build anything but the illusion of wealth. It may be called virtual wealth, but it neither pays for the rent nor leads to wealth creation in reality.

Moreover, technology has disrupted the value of intellectual property. Work done in developing brands and content is often appropriated by third parties to create derivative works, including memes, GIFs, AI output, and more. Stealing intellectual property has been normalized. While some newer technologies, including some Web3 applications, have a mechanism to compensate original creators for derivative sales or uses, overall technology has accelerated the separation of people and property rights and the normalization of such separation.

And the big technology companies that facilitate this only get more wealthy and powerful based on your money and effort. You may remember the adage that if a product is free to use, you are the product.

You own nothing and they own you—and, in many cases, your output.

Your life becomes a subscription model.

These are the battles of World War F, from the barriers to traditional wealth creation in the physical world to the lack of individual property

ownership and rights in the digital realm. It's a war to decide who dominates in the new financial world order.

New World Order, Same Framework

In April 2022, I attended an event for the prelaunch of Alex Epstein's tremendous book, *Fossil Future*, where he and Peter Thiel conducted a panel on the future of energy and other forward-thinking ideas. Thiel, in case you are not familiar, is a serial entrepreneur, investor, and futurist. He was a cofounder of PayPal and Palantir, was the first outside investor in Facebook, and wrote a fantastic book about scaling businesses, *Zero to One*.

One of the ideas that Thiel shared during that panel was a framework for how good ideas turn into bad outcomes. I am paraphrasing his explanation with some additions of my own, as this model stuck with me. It illustrates how those with good intentions often don't produce good outcomes. The model is very relevant to just about every bad-in-practice idea out there today and gives some perspective on how big social and economic shifts take hold.

It also takes the "conspiracy" element out of some of the discourse, depending on how you define conspiracy. Of course, there are individuals and bad actors with nefarious intentions looking for a power grab, a money grab, or both. But many of the worst, most destructive ideas become entrenched from the starting point of someone being earnest about it.

Bad ideas often get sold with a positive or misleading wrapper. There is a famous vintage *Twilight Zone* television show episode in which aliens arrive uninvited to earth. The aliens communicate that they came to help humanity with their more advanced technology, promising to solve earth's hunger and wars. Unsure whether to trust the aliens and their supposed noble cause, the people of earth interrogate them and are comforted when the aliens' technology pans out. Then a special government agency decodes the title of a book that an alien representative has left behind. They find that in English the book's title is *To Serve Man*.

To serve man seems like a noble and worthy intention. Based on that and the aliens' stated vision, people line up to visit the aliens' planet and expand cooperation with them.

Ultimately, the woman who helped break the code of the book's title figures out the rest of the book's text, screaming to her boss as he boards a

spaceship—*To Serve Man* is a cookbook.[9]

There are lots of people looking to serve man these days. With that in mind, let's explore the framework of ideas going south and see how the propaganda arm of the economic war machine takes hold.

The "good-idea-to-bad-outcome" framework looks something like this:

Believers ➡ Racketeers ➡ Useful Idiots

I think of it in the following terms:

Idea ➡ ROI ➡ ROE (where ROI is return on investment and ROE is return on ego)

The model starts with an idea. There is a problem that an individual or a group somewhere decides needs to be solved or a cause that needs to be pushed, and individuals become passionate about the concept. They are the believers. This is sometimes in earnest, and other times because bad actors have planted a propaganda seed. From there the believers usually latch on to a solution (at least for a time), either through naïveté or deliberate factors. Think of the "green" believers. The concept is a good one. People want to ensure that we are not destroying the planet we inhabit and are being respectful to nature. I think we can all agree this is a noble idea in principle.

As people go around spreading the idea, it eventually morphs into a moneymaking opportunity. This is what I call ROI, or return on investment, and Thiel playfully calls "racketeers" (I will also use "profiteers" to encapsulate this behavior); either way, it's about cashing in. There are activists who need to spread the word. There are studies to be made. There are speeches to be given. This is where the racketeers or other profit seekers come to play and they secure the idea in place because there is a big payday and clout to be gained from doing so. Sophisticated propaganda is profitable. The profiteers cannot produce information that contradicts the idea and associated solution, because if they do, the money stops. If you are being funded by "climate justice activists," your findings are likely to be biased in that direction. Otherwise you are out of a job.

This is why rational progress is often thwarted. We can generally agree that making sure the planet is well cared for is a worthy cause. As that relates to energy, in a rational scenario, we should be able to evaluate different

options that make sense to produce abundant but clean energy. This would likely include a mix of "green" initiatives like wind and solar, but also account for their limitations and evaluate how to use fossil fuels and nuclear energy in the mix.

But this is not the case, ostensibly because the believers and cheerleaders for nuclear weren't that good at creating a profiteering ecosystem around nuclear energy. Moreover, the acknowledgment that fossil fuels need to be in the mix might put many racketeers out of a job—or at least take away their current paychecks. This is ROI-driven and is very "sticky" (in a business sense).

Moreover, the racketeering part of the model is a conduit for transferring wealth, which makes it doubly attractive to those in power.

Sometimes the main thesis becomes hard for the profiteers to continue to support. Then it shifts, but the participants still know which masters they are serving: the ones giving them money, access, and power.

Think about all of the shifts we have seen in terms of climate predictions. In my lifetime, we have gone from paper bags to plastic bags and back again to paper bags because of all kinds of environmentally based mental gymnastics. Mark J. Perry, from the American Enterprise Institute, details a list of "50 Years of Failed Doomsday, Eco-pocalyptic Predictions" from "experts," which include a slew of ice age predictions, then predictions calling for the melting of all the ice, oil to be gone by the mid-1970s, then oil to be depleted by the early 1990s, and even Manhattan being underwater by 2015, among dozens of other climate and eco-predictions that have all been wrong.[10] Despite the changes in theses, failed predictions, and data to the contrary, the propaganda around saving the planet continues.

The other thing about the racketeers is that their actions often don't match their advocacy. The Biden administration's special presidential envoy for climate, John Kerry, flies around the world in a private jet. Other climate pushers have built waterfront properties, signaling that they might not be as concerned about water levels rising as their rhetoric suggests.

Despite their hypocritical actions, their overpropagandized hysteria still sticks because the racketeering infrastructure is strong.

The racketeering part of the model is incredibly important. If there is no money to be made, an idea or movement has a hard time gaining traction. The late comedy icon George Carlin made this observation as it relates to homelessness. Homelessness is an important cause you would think many

people would get behind and want to solve. But, as he said in a famous bit (paraphrasing, but it's worthwhile to check out online), we have wars on just about everything except homelessness because corporations and politicians don't stand to make any money off solving homelessness.[11]

There is one final component of our model that adds to the racketeering and locks it all in place, and that is the useful idiots. Again, these people may have good intentions (in some cases, in other cases maybe not), but often they are seeking validation, clout, tribal belonging, or some other set of benefits that comes from supporting the cause and its propaganda that they really don't understand. They can share on social media, add flags, emojis, and slogans to their bios and posts, and get some sort of ROE (return on ego). ROE is also quite sticky, and while these individuals usually couldn't tell you why nuclear energy is not a viable option, for example, their support lends popularity to the given cause. A formal social credit system may even give incentives for more support of specific narratives and causes.

Ideas get invaded by those desiring money and clout. This turns dreams into nightmares.

You can see this model in play widely. Take Black Lives Matter. On its surface, it's a worthy cause. People shouldn't be treated differently by institutions because of their skin color. Pretty much everybody agrees with that. However, this idea was co-opted by a radical group with Marxist ties and whose profiteers made a fortune (donated funds were used to purchase a $5.8 million home, which a former BLM leader denies was improper in any way, and another member of its leadership had a consulting firm that was paid $2 million, which said member has noted was paid legally per contracts in place, among other alleged issues).[12] The profiteers were supported by a bunch of suburban moms who gained ROE for being justice warriors.

ESG (which I will discuss in Chapter 7) and a whole host of other alphabet soup concepts all fit this model as well. Take a concept where you can't figure out how it has become a "thing" and look for the racketeers and the useful idiots spreading highly coordinated messaging.

Of course, there are other instances where the power grab is blatant, and the suppression of wealth-creation opportunities and individual rights has no good seed to start. Knowing the difference can inform a different plan of action to fight back and preserve your opportunity to thrive.

Additionally, those who do have nefarious intentions prey on this model being set in motion (or work to set this model in motion) for their own

benefit—and to your detriment. It is an effective tool of war.

The Hollywoodification of Crisis

The elite know that the new financial world order creates a huge profiteering opportunity. They also know that the right propaganda can enhance this new financial world order profiteering and enable a massive transfer of wealth.

Here's how they are effective in putting this in place. Have you ever noticed in sci-fi dramas how there is always a crisis against all of humanity that threatens their existence? This is a powerful storytelling structure. Think of *The War of the Worlds* by H. G. Wells, which was published in book form for the first time in 1898 and has never been out of print. A crisis of survival plays well for the masses.

It provides a template for the Hollywoodification of crisis as a means to extract and transfer wealth. Imagine sitting with Jon Hamm as Don Draper in his *Mad Men* office, smoking a cigarette (because hypocrisy doesn't matter here and it sets the mood), and asking him to come up with a campaign that will help you extract fees from the biggest companies in the world.

He tells you that he needs to build drama and stakes. He needs to create a hero. He needs all other issues to become secondary. He needs a mechanism for wealth transfer.

He has the idea—climate change!

He pours himself a glass of whisky, leans back in his chair, and puts his well-polished black shoes up on the conference table.

"Picture this," he says.

"Our threat against all humanity will be the changing of the temperature of earth. It will cause the ice caps to melt, water to rise, and countries to fall into the seas! It threatens all of humanity and the earth itself!" (High drama and stakes—check and check.)

"Our hero," he continues, "will be a liberal politician. A nice-looking, clean-cut authority figure. How about . . . Al Gore? He can be supplemented with other politicians and bolstered by selected people from science and academia." (Don't worry, we can cast them later, Draper assures the room.)

"The entire focus must be on climate change. Our campaign will make everything else shrivel in comparison because if you don't focus on climate change, nothing else matters! Everyone who disagrees must be ridiculed and

focus needs to be drawn back to our cause for the good of humanity." (Full focus with everything else secondary—check.)

"What our campaign will do is use this backdrop to help you establish new rules, regulations, taxes, and incentives." (Wealth transfer mechanism, part one—check.)

"Then, industries can expand to help everyone, especially the business class, navigate these new rules. This will help you move more money from industry to the consultant class, including lawyers, consultants, and financial services businesses and professionals." (Wealth transfer mechanism, part two—check.)

"As a benefit, you and your cronies in the political class can gain more power, 'wet your beak,' and benefit from this change campaign."

He puts his feet back on the ground, pushes away from the table, and looks around the room. Then he claps his hands together and asks, "When do we start?"

This Hollywoodesque production template has been used for all sorts of green initiatives around the concept we now know as climate change to go after the big energy companies and their money. This template was used with Covid to go after Main Street and transfer money to Wall Street. And it will likely be used against Big Tech in the near future. Because the bigger and better-funded the target, the more profiteering and fees there are to be extracted and transferred. The more power there is to be gained. And in the emergence of the new financial world order, money grabs become more and more common.

The Big, Bad Globalizers

The "special forces" of World War F are the elite, wealthy, and well-connected. They are using tactics from our good-ideas-to-bad-outcomes and Hollywoodification-of-crisis models to both shape the future of the world and profit in terms of dollars and power along the way.

Who are these organizations? Well, frankly, there are a lot of powerful individuals and organizations that have deservedly received scrutiny for their role in trying to shape a new financial world order in their vision—one that undoubtedly benefits them.

There is probably no organization that has received more scrutiny in recent years, based on their own associates, words, and actions, than the

World Economic Forum (WEF).

Though they have already been referenced a few times in this book, let me give you some additional background.

The WEF was founded by a German engineer and professor named Klaus Schwab in 1971.[13] It was started first as the "European Management Forum," with a two-week symposium attended by European company executives, the European Commission, and various academic types.[14] The marketing of this symposium coincided with Schwab's book *Modern Enterprise Management in Mechanical Engineering*. This is a book that, according to his Amazon biography, argues "that a company must serve not only shareholders but all stakeholders to achieve long-term growth and prosperity."[15]

There was a natural symbiosis whereby the forum served as an outlet to push Schwab's often radical ideas (dressed up, of course, as noble intentions), usually incorporating government and "society" as business "stakeholders."

Major geopolitical and economic events that were happening during the first few years of the forum provided a catalyst for it to broaden its focus. The United States' decoupling from the gold standard and ultimate collapse of the Bretton Woods global monetary system, the Yom Kippur War, and the resulting oil embargoes that we discussed in the previous chapter provided the backdrop for the WEF to move into economic and political issues. Political leaders were added to the roster for the 1974 meeting.[16]

As it grew, the forum became more economic and political in nature, and ultimately changed its name to the World Economic Forum in 1987.[17]

To the casual observer, the WEF seems like a snotty boondoggle where the elites come together to signal how smart they are and how much they care about humanity.

But these elite individuals have actually convinced themselves that they know what's best for everyone, or perhaps, for some of these elite, they just want the cover for their power grab. Their ideas are the embodiment of central planning: a handful of people making decisions for the masses, usually done with opacity, based on their objectives and not the desires of the masses. This impacts every aspect of individual freedom and, by extension, prosperity.

This is all very much by design.

The WEF's 2020–21 annual report boasts its logo with the tagline "Committed to Improving the State of the World." That sounds quite "good-idea-to-bad-outcome" model-ish; even similar to *To Serve Man*.

The people involved with the WEF are a who's who of power and influence. Politicians, business leaders, and other influential and connected figures have become associated with the WEF, whether casually or deeply.

The WEF tries to get notable individuals involved early in their endeavors through a program called the Young Global Leaders.

Search firm Heidrick & Struggles International Inc. put out a press release upon being selected to help identify candidates for this program. It sounds prestigious, they get a payday—what could go wrong? Their 2009 list included Facebook (now Meta) CEO Mark Zuckerberg, Digg founder Kevin Rose, Boris Nikolic of the Bill and Melinda Gates Foundation, and golfer Tiger Woods.[18]

This is not meant as an indictment of any specific person, including those mentioned above. While some of these people probably just see the WEF as an opportunity to network, raise their profile, rack up another accolade, or get help with their pet projects and nothing more (that happened to me about a decade ago, when I didn't know much about the group and was invited to a WEF event in New York to blog about some of the speeches—yes, I was a useful idiot briefly myself), others are more entrenched.

Whether they act as racketeers, useful idiots, or a bit of both, some of these influential elites have carried ideas from the WEF into the mainstream, including into the organizations they represent.

At the WEF level, it is hard to believe this is not all well thought out and executed. I mentioned previously how, in 2017, at Harvard's Kennedy School, Schwab explained, "This notion to integrate young leaders has been part of WEF for many years, I have to say when I mention some names like Ms. Angela Merkel, even Vladimir Putin and so on, they all have been Young Global Leaders of the World Economic Forum." He continued to talk about penetrating the cabinets of governments globally, as mentioned in Chapter 1.

That sounds like a very cozy relationship at a minimum, and more likely an attempt to get Schwab's and the WEF's ideas installed in governments around the world. Using a phrase like "penetrate the cabinets" sounds like what it sounds like.[19]

In recent years, with some of the ideas that have been espoused both by Schwab in his books and in information to come out of the WEF—both their

meetings and their “thought leadership” pieces—more attention has turned to its influence in setting and pushing various agendas globally. This is especially the case given the elite people connected to the WEF and their access to the highest levels of business, politics, and influence worldwide.

Among these ideas, laid out in painstaking detail in many of Schwab’s books, and in many cases nuttier than a jar of peanut butter, are a slew of very concerning agendas, proposals, and predictions.

One that has received some attention, but not enough, is the Great Reset, a plan first launched by Schwab in a book and then propagated by the WEF to leverage the Covid pandemic crisis to reshape the world—for the “good of humanity,” of course. Maybe even “to serve man”?

I will refer you to Glenn Beck with Justin Haskins’s tremendous book, *The Great Reset*, for a deep dive into this topic and themes that complement what we are uncovering.

What you will find is that many of these ideas are ones that Schwab has been pushing, rehashing, and repackaging for a long time. And they are downright frightening.

Related to the Great Reset is the concept of “you will own nothing,” the core theme of this book. This has gotten some attention because of the interest in the Great Reset, but the WEF has been pushing this for much longer.

A video uploaded in January 2017 to the WEF’s official YouTube channel is titled “Can You Rent Everything You Need in Life?”[20] In the video, they try to normalize socialized “ownership,” comparing a library for books to possible ownership models for other goods. While it is presented with the notions of saving money and preventing waste, it also has major implications for wealth creation, and economic freedom and prosperity.

This preceded the widely shared video from the WEF, “8 Predictions for the World in 2030,” posted by the WEF on Twitter in 2018 and created from an article they published in 2016.[21] Now, 2030 is not that far off, so how radical could these ideas be?

Well, the number one prediction was, “You’ll own nothing. And you’ll be happy.” That is further expanded upon by stating that “whatever you want you’ll rent and it’ll be delivered by drone.”

The number two prediction: “The US won’t be the world’s leading superpower. A handful of countries will dominate.”

Number four is “You’ll eat much less meat . . . an occasional treat, not a staple—for the good of the environment, and our health.”

And after talking about better incorporating refugees, number eight is, “Western values will have been tested to the breaking point.”

These aren’t light, fun, futuristic predictions of having robots that fold laundry. These are transformational economic and social concepts that move us further away from freedom and agency and more toward planning and control. They frankly sound more like a dystopian novel than a *Jetsons*-esque fantasy.

These elites want you as an indentured servant. They want to take your life, or at least take your life and rent it back to you.

In August 2021, the WEF published on its website an article about a recent study they found enlightening enough to highlight. The article was titled, “Psychologists Say a Good Life Doesn’t Have to Be Happy, or Even Meaningful.”[22] Either the WEF employs the best clickbait trolls on the planet, they really can’t read the room, or something is seriously wrong with them (you can choose your favorite theory; I have mine).

The WEF has their hands in—oh, I mean “ideas” and “proposals” for—just about every aspect of your life and freedom. From social and health to political and economic changes, if there’s an idea to be had, they are probably on it. They are weighing in on everything from cybersecurity (aka surveillance), via their Cyber Polygon event, to digital currencies and cryptocurrencies.[23]

And, of course, given that they predict “you’ll own nothing” by the end of this decade, a lot of their proposals put you directly on that path.

If these were just some fringe lunatics off by themselves, it wouldn’t cause any alarm. But given the political, business, academic, and other powerful individuals who are aligned with this organization and who, by the organization’s own admission, carry the ideas back to their countries and companies, this is concerning. Add on the changing cycles of the new financial world order and the technology to implement ideas at scale, and it is downright terrifying.

The WEF website lists a slew of “Partners” under categories like Strategic Partnership, Platform Partnership, New Champions, and others. There are so many that they have to divide them up by alphabetical letter, but it includes the who’s who of organizations from A to Z, Amazon to Zoom.

The WEF’s site in 2017 listed the cost of being affiliated with them in this way, “Membership and partnership fees range from CHF60,000 to CHF600,000 depending on the level of engagement. Most types of

membership include the opportunity to participate in the Annual Meeting for the CEO of the company, although Davos participation incurs a fee over and above membership or partnership fees."[24] At the time of writing, the Swiss franc (CHF) was about at parity with the dollar.

The Davos World Economic Forum event also is a costly one, with funding coming from participant tickets and sponsors. Forum tickets reportedly are five figures each for those who don't have it included with their membership, as described above.[25]

This all helped the WEF generate revenue north of $300 million for their 2020–21 fiscal year.[26]

Worse yet is the fact that not only are corporations that you patronize funding the WEF, but so are you. A report by Open the Books found that, from US taxpayer funds, the WEF received $26 million under Obama's second term and $33 million under the Trump administration![27] (Note: call your representative immediately and ask them to withdraw funding support from this unelected, non-American organization.)

Even some of the Swiss are getting sick of the WEF. Despite constant criticism of CEO pay and focus on inequality by the WEF, Schwab himself takes a salary of one million Swiss francs per year. SRF, a Swiss media company, also has reported that the WEF pays no federal taxes (ostensibly because of the way its entity is organized), yet leans on the Swiss taxpayers to help subsidize security for the Davos forum.[28]

Well-funded, well-aligned, and well-executed organizations that are espousing ideas and strategies for the minimizing of your rights and freedoms, including wealth-creation and wealth-preservation opportunities, are effectively creating an economic war plan.

The World Health Organization

A specialized agency of the United Nations, headquartered in Geneva, Switzerland, the World Health Organization (WHO) has "a broad mandate to act as a coordinating authority on international health issues."[29] It is made up of 194 member states. According to its website, "WHO leads global efforts to expand universal health coverage. We direct and coordinate the world's response to health emergencies. And we promote healthier lives."[30]

In May 2022, the WHO put forth a proposal for a pandemic treaty among nations, which would give this organization incredible influence and power over sovereign nations and their people. The WHO already has a bad reputation in my book—quite literally. I researched them extensively and covered some of their insane and highly politicized decisions and nondecisions relating to the Covid debacle for my last book, *The War on Small Business*.

More importantly, even if they had a stellar track record, none of us elected them, so why would we cede power to them?

An investigative researcher going by the handle @CriticalSway on Twitter did a deep dive into the pandemic treaty proposal and found a slew of disturbing information that consolidated more power within the organization. He found mentions of "vaccines" in some form 33 times, "surveillance" 30 times, and "misinformation" 7 times. It brought up, per his analysis, many questions about free speech, privacy, and freedom, with more money and power going to the WHO.[31]

In addition to trying to take power, the WHO is trying to get more funding (a complete shock, I know). The WHO has pushed back against the critics because, you know, it's only trying to help (serve man, perhaps?).[32]

KFF, an independent organization for health information, has reported that the WHO's two-year budget is more than $6 billion. In terms of funding, the US is typically the biggest funder (aka, your taxpayer dollars). KFF said, "The U.S. has historically been the single largest contributor to WHO, though in the 2020–2021 period (when President Trump withheld some U.S. funding during the COVID-19 pandemic) it was the second largest as other donors, notably Germany, increased their contributions." In FY 2020, the US contribution was down to a mere $163 million (sarcasm noted), but in FY 2021 and 2022, it was $581 million and $434 million, respectively.[33]

This organization falls into our model. We want to have a healthy worldwide population, but you can bet with a $6 billion two-year operating budget there is a lot of profiteering going on. It benefits them to do what they can to make themselves more powerful, and that is gaining more control and money at your expense.

Bad Actors and Profiteers and Useful Idiots, Oh My!

It’s not that any one of these organizations is going to change the world alone, but all of the forces coming together at the same time, looking for more control at your expense, creates a battle plan that impacts every aspect of your life and wealth.

There is a slew of other organizations that all have come under scrutiny, whether fairly or not, for coming up with big ideas that sound like central planning instead of free markets.

The United Nations, the international, intergovernmental organization of “cooperation,” is certainly one of those. They have had a range of issues (such as human rights–violating countries like China and others on their Human Rights Council, causing the US to leave the council under President Trump and return under President Biden) and a broad range of connections and affiliated agencies (like the WHO, discussed above).[34] They are involved in financial areas, directly and indirectly, as well. For example, the World Bank Group notes their cooperation with the UN, saying, “In addition to a shared agenda, the Bank Group and the United Nations have almost the same membership.”[35]

While less known, the Bilderberg Group and its Bilderberg Meeting, which features a rotating list of American and European business magnates, politicians, and other notables, also get a raised eyebrow or two from time to time. The *Independent* reports that the late Labour MP Denis Healey was interviewed for a book in 2001 and said, “To say we were striving for a one-world government is exaggerated, but not wholly unfair. Those of us in Bilderberg felt we couldn’t go on forever fighting one another for nothing and killing people and rendering millions homeless. So we felt that a single community throughout the world would be a good thing.”[36]

In several media appearances, I have been asked why so many major corporations and powerful executives are members of groups like these and the WEF that have garnered so much recent controversy. I honestly believe that many businesspeople get involved for the anticipated ROI (return on investment) and ROE (return on ego), and they haven’t heard much of the other information that we have been discussing.

In organizations, CEOs are so overwhelmed with their own businesses that they do things operating only with surface-level information. To them, the WEF is nothing more than a way to get to Switzerland, hobnob with celebrities and other CEOs, and make some deals and networking connections. There are others who may derive some kind of benefit or

patronage by being connected and are completely blind to the WEF's full slate of positions.

I know from discussions that many C-level executives, including CEOs of publicly traded companies, either don't know much about the ideas they are pushing or don't really care about them. They may have ESG all over their websites (which we will discuss later), but they can't explain it to you. They take on other alphabet soup initiatives because the ideas are foisted upon them. Their job is, in part, to mitigate risk, and so they figure it is easier to just say they are part of the current thing and maybe throw some dollars at training sessions and marketing materials than have to deal with a huge PR crisis or disgruntled employees.

The CEOs and other executives are, at the highest levels, often the useful idiots.

While the propaganda is planned among the elite, it is spread by some active collaborators as well as by unknowing or misinformed participants. A lot of racketeers and useful idiots, some working together, some working in parallel, and some all on their own, are all doing the things that humans do in cycles. This helps entrench the message and lay the foundation for wealth transfers.

The elite and well-connected find ways to direct more power to them at the expense of everyone else, even if they have talked themselves into believing they are being noble. To serve man, the tenet, becomes *To Serve Man*, the cookbook.

Plus, in addition to the NGO and intergovernmental groups mentioned above, Big Tech may play the most important and disruptive role in the new financial world order. It is so important that I have dedicated an entire chapter (Chapter 6) to technocracy (society, in effect, run by the tech elite). We know that while not a one-to-one comparison, the market capitalizations of Microsoft and Apple were larger than the GDPs of Italy and Canada, even after the market and their respective stocks lost substantial value in 2022. Companies like Netflix and company products like Amazon Prime Video have more customers than the entire populations of countries like Japan and Mexico. Facebook, at the time of writing, had two times more monthly active users than the population of China.[37]

These firms are incredibly large, powerful, and savvy and often work with governments to enact policy, whether it be social platforms controlling the Covid narrative or Apple and Alphabet (parent company of Google)

disabling Apple Pay and Google Pay in Russia in 2022 at the behest of the US government.

The tech companies are large and encompassing, and while often as big in scope as a major country, they aren't concerned with protecting individual rights.

Each one of these actors and their actions, separately and collectively, brings us closer to the new financial world order. Because of the structure of where we are in the world, the types of powers that have emerged, and the tools they have to enact their ideas at scale, there will be fewer, not more, opportunities for you and me if we don't take swift action.

The New World Order

In a speech before the Business Roundtable in March 2022, a group made up of the CEOs of the biggest corporations in America—the elite of the US business elite—President Biden remarked that he believed there would be a new world order coming soon.

He said, "You know, we are at an inflection point, I believe, in the world economy—not just the world economy, in the world. It occurs every three or four generations. As one of—as one of the top military people said to me in a secure meeting the other day, 60—60 million people died between 1900 and 1946. And since then, we've established a liberal world order, and that hadn't happened in a long while. A lot of people dying, but nowhere near the chaos. And now is a time when things are shifting. We're going to—there's going to be a new world order out there, and we've got to lead it. And we've got to unite the rest of the free world in doing it."[38]

He mentioned the cycles we have been exploring, he mentioned the economy and that it plays a role in this change, and he acknowledged that things are shifting.

Where the question mark comes from is, will the US truly be "leading" it? And if so, are American ideals, from freedom to wealth-creation opportunities, going to be destroyed from the inside, from the outside, or both?

What does this new financial world order look like? Another superpower taking control? A bipolar financial regime? More de-globalization and independent blocs with their own financial interests? More globalization and fusion, with a centralized body making financial decisions that benefit "the

world”? Shadow tech governments that act as de facto financial superpowers?

The new financial world order could be one or more of the above. But, regardless of what emerges, none of the ultimate orders and outcomes have the inherent benefits and structure of what America’s founders created and which let the United States lead the world and bring prosperity and freedom to ourselves and global economies.

Americans did not take care of the unique structure that we were given to support our freedoms, including our economic freedom. We let it morph, and it has moved its way through many of the same cycles of the financial empires that preceded it.

I can’t tell you exactly which form it takes, but I can tell you that for your individual interests, it isn’t going to be pretty. As with the downward spirals of other financial empires, the final act could come swiftly or could take time. It may even require another parallel war to finalize it.

What can we do to stop it, or at least slow it and preserve as much financial freedom as possible? How do we stand up, fight, and take back our rights? We still have time, but the clock is ticking, and we need to understand the battle in order to fight in it and win.

Chapter 4

The Incredible Shrinking Dollar

Killing Your Wealth by Debasing the Currency

For as long as there have been riches and power to be had, there has always been someone trying to get more of both for themselves. As noted French economist Frédéric Bastiat said, "When plunder becomes a way of life for a group of men living together in society, they create for themselves, in the course of time, a legal system that authorizes it and a moral code that glorifies it."[1]

Eventually, this brings down financial empires, as we saw in the previous chapter.

The stability—or lack thereof—of the US dollar is at the center of the new financial world order and your financial opportunities. As we discussed, in being the center of the financial universe, the US was faced with a dilemma on whether to manage the dollar for the benefit of the world or the benefit of Americans. Incredibly, over time, the government and the US central bank, the Federal Reserve, have managed to do neither.

This utter mismanagement by the Fed creates a foundation for destroying your wealth. It comes from the confluence of cycles, events, institutions, and people all working to gather power. Ultimately, the weakening of the United States' financial standing ends the exorbitant privilege, as well as all the financial benefits conferred from such privilege. It also erodes the purchasing power of the dollars you have earned and invested. This one-two punch is a critical part of the story.

But, again, it's not an entirely new story. If you sometimes feel like you are in the second coming of the Roman Empire and watching it crumble from the inside, you would not be that far off.

Nero's Greed

We have covered the undoing of two modern financial empires, but one of the most relevant parallels to America's situation today is also one of the all-time most powerful—the Roman Empire. Many scholars link money to that empire's downfall. In the documentary *In Money We Trust*, anthropologist Jack Weatherford noted that you can follow the decline of Rome with the decline of its money and that the two were very closely associated.[2]

Concerning the Roman Empire's downfall, a large expansion in government spending (for both bureaucracy and war) and currency debasement set them on the path to destruction.

Stable money is critical to a stable society. Stable money was valued as such by the Roman Empire and monetary stability was considered central to their economy.

In terms of creating a stable form of money, the Romans began with a silver coin (the denarius, which was the “unit of account”). They also had a copper or bronze coin (the sesterce) and added a gold coin (the aureus). For almost three hundred years, different leaders kept the denarius coin stable, with a consistent weight and purity (around 95 percent silver).[3]

This shifted under the rule of the emperor Nero. Nero would call in the coins in circulation. Those would be melted down and reissued, but with a catch—he would change their makeup. In some instances he would reduce the amount of the precious metal and replace it with a less valuable material; in other instances he made the coins smaller, keeping some of the extra percentages of precious metals for himself. By doing this he became richer at the expense of everyone else. He also used some of the valuable metals siphoned off the previously issued coins to help finance the empire’s growing expenditures.[4]

Following Nero’s example, future Roman leaders continued to extract wealth from the public to pay for varied expenses using currency debasement. The various leaders had different ways of spinning it and different methods of enacting it, but the endgame was the same—less real value in the previously stable money.

Over the span of the Roman Empire, we can quantify the currency debasement. Historian and professor Joseph R. Peden noted that by the middle of the third century, the denarius contained only 0.5 percent silver and inflation had run rampant, destroying the value of and confidence in the currency, and increasing prices by nearly 1,000 percent! While the gold aureus started out being worth 25 denarii, within a few hundred years it was worth thousands of denarii.[5]

This created a downward spiral for the Roman Empire. Twenty different emperors came and went, the currency became basically worthless, and the average Roman citizen saw their wealth dissipate. This predictably led to the poverty of the masses and civil unrest.

History rhymes, and that again sounds an awful lot like a familiar tune.

When your currency is debased, no matter the time or the place, it ultimately leads to inflation, unrest, and the collapse of financial empires.

This is the trajectory that the US is on that will ensure, like the former holders of Roman wealth, that you will eventually own nothing.

How Much Is a Dollar Worth?

My friend Steve Forbes often talks about money as a measure of value, the way that a scale measures weight or a clock measures time. Similarly, he says, money measures the value of goods, services, and investments.[6]

To be able to measure something, the measuring device needs to be fixed in value.

As Forbes said in his documentary *In Money We Trust*, “Time is a fixed measure. Sixty minutes in an hour; sixty seconds in a minute. Imagine if that floated each day; fifty minutes in an hour one day, eighty minutes the next. We know intrinsically that would make life chaotic. . . . [C]hanging the value of money destroys trust between buyer and seller, lender and borrower because it changes the values that were agreed upon. One party got an undeserved gain, and the other got an undeserved loss.” And when it comes to undeserved losses, it is usually those without the wealth and connections who get that side of the coin (no pun intended).

Money as a unit of account or measure is a critical concept that has global implications. As discussed in Chapter 2, oil-producing countries agreed to allow oil to be priced in dollars because they believed the US would take measures to keep the dollar stable and the measurement of value would remain fairly constant—at least bound by a tight range.

Perception becomes the problem when the unit of measure isn't constant.

As the dollar has become fiat currency, its value has been manipulated and debased by policy. As opposed to the precious metal–based currency of Rome, the US dollar currency didn't have its value in its makeup. After Bretton Woods, the dollar was a representative currency that had its value tied to the backing of a certain amount of gold. This meant that instead of having to carry around gold, you could carry a Federal Reserve note (aka dollar), which was at any point redeemable for a specific amount of gold. When that standard was thrown by the wayside upon Nixon closing the gold window and the dollar became "backed" by the "faith in the government" (aka fiat currency, which doesn't have intrinsic value and doesn't represent stable assets held in reserves), it became easier for the Federal Reserve and government to continue to decrease the value of the currency through policy.

But the psychological trick of changing the measurement keeps people from fully comprehending what has happened. You may think that a certain amount of money—whether that be $100,000 or $1 million—affords you a certain lifestyle, but the $100,000 of today purchases far less than it did twenty years ago.

This leads too many people to focus on the headline numbers and ignore what central bankers have done to the value of our currency.

In a 1978 *Saturday Night Live* skit that is just as appropriate today as it was then, Dan Aykroyd plays President Jimmy Carter dealing with rampant inflation. He smirks as he delivers satire about inflation being great because everyone can be a millionaire and own "expensive" clothes and cars.[7]

Then the skit does something that hasn't been done in pop culture for far too long—it talks about money printing! Aykroyd says: "What about people on fixed incomes? They have always been the true victims of inflation. That's why I will present to Congress the inflation maintenance program, whereby the US Treasury will make up any inflation cost losses through direct tax rebates to the public—in cash. Now you may say, 'Won't that cost a lot of money? Won't that increase the deficit?' Sure it will! But so what? We'll just print more money! We have the papers, we have the mints. I can just call up the Bureau of Engraving and say, 'Hi. This is Jimmy. Roll off some of them $20s. Print up a couple of thousands sheets of those century notes.' Sure, the glut of dollars will cause even more inflation, but who cares? Everybody will be a millionaire!"[8]

That's more or less what has happened. While cost-of-living adjustments (COLAs) are tied to CPI-W inflation increases, CPI measures have seen their formulas changed by the government to understate inflation. That way the government doesn't have to increase the benefits they give out by as much as they would have in the 1980s, before such changes.[9]

As the government and Fed have debased the dollar, much like the Romans did with their denarius about two thousand years ago, the warped perception of money has allowed the debasement to continue. People can identify the symptoms—they know that they can buy less today and that it is harder to purchase a home, for example—but they don't necessarily realize why.

This is an easy and deceptive way for the government and central planners to steal wealth.

You can see it in the following chart, showing how the purchasing power of your dollars has been eroded since the creation of the Federal Reserve.

The dollar's role as a medium of exchange has stayed fairly constant, although much more so digitally than physically, as the use of physical money over time has substantially been replaced by digital transactions. In October 2021, a piece in *Harvard Business Review* said that more than 97 percent of the money in circulation is via digitized transactions (including checking transactions), versus using physical money.[10]

Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in US City Average; Index 1982–1984=100; Not Seasonally Adjusted; Monthly; January 1913 to September 2022

Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Purchasing Power of the Consumer Dollar in US City Average [CUUR0000SA0R], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CUUR0000SA0R, October 29, 2022.

The dollar is amazingly still considered a store of value, even though it has lost almost 97 percent of its purchasing power since 1913, the year the Federal Reserve Act was passed, and 86 percent since 1971, when we came off the gold standard.[11]

The St. Louis Fed says as much, without getting into scope: "Although it is an efficient store of value, money is not a perfect store of value. Inflation slowly erodes the purchasing power of money over time."[12] They also leave out the fact that money isn't eroded naturally by inflation; inflation is caused by fiscal and monetary policy.

It's incredible that people around the world still consider the US dollar a safe haven, which is a testament to both the strength and productivity of Americans and their economic output today, as well as the relative economic and financial issues (including central bank money printing) around the rest of the globe.

It Was the Fed, It Was the Fed . . .

One of the biggest factors in the dollar's debasement has been the actions of the Federal Reserve, both directly and indirectly via enabling out-of-control government spending.

The Federal Reserve System, also known as the Federal Reserve or colloquially as the Fed, is the United States' central bank. The assumed purpose of the Fed is to help guide the country's economic and financial stability. More accurately, in recent years, it has become a tool to prop up Wall Street and enable capricious government spending.

Comprised of three key entities (the Board of Governors, twelve Federal Reserve Banks that represent twelve districts, and the Federal Open Market Committee, or FOMC), the Fed is basically a government entity pretending to be independent. The Board of Governors, which is an agency of the federal government that reports to and—in its words but not in reality—is directly accountable to the United States Congress, oversees the twelve Federal Reserve Banks, and provides input and guidance for the entire system.

While the Fed derives its power and mandates from Congress, it is not truly accountable to anyone. That is intentional and by design. It may be the only entity in America not owned by or accountable to anybody else, yet it has control over the country's monetary policy!

Moreover, its independent status and guise of decentralization mean that it operates without the checks and balances essential to the rest of the government system. It is not audited. Though it releases "recaps" of its meetings, it doesn't release the full content of its discussions. It doesn't tell congressional representatives or committees about its behind-the-scenes undertakings, and it has little in the way of oversight.

The Fed uses a few "tools" to set monetary policy, which is really a manipulation of our economy and the markets by their directive. For example, lowering the Fed funds rate is associated with expansionary monetary policy, as it is supposed to spur more demand for credit by making it "inexpensive" to borrow, thus stimulating economic activity. (In layman's terms, the lower the interest rate, the more an individual or business can borrow while keeping the cost of each debt payment—and their overall cost of debt—lower.)

The Fed also uses open market operations, or, more simply, the buying and selling of government securities from banks and other investors in the market, to make adjustments to the supply of money and influence economic activity. As the Fed buys more securities and replaces them with "credit" in the selling banks' accounts, there is more "money" or credit available for lending, and interest rates are also pushed downward (this is aligned with expansionary policy; contractionary policy would have the Fed selling securities and have the opposite effect).

In layman's terms, if you or I found a mechanism that let us go into our online bank account and change the balance to whatever we wanted, and we then used that money to buy things, it would be called fraud. When the Federal Reserve does the same thing, we call it monetary policy.

This Fed intervention has had a huge impact on the debasement of the dollar over time, particularly in the recent past.

The people who run the Fed have changed their tenor and their focus, despite their stated mandate being generally consistent. This ranges from the actions of Fed chair Paul Volcker, who, as noted in Chapter 2, took interest rates up to north of 19 percent in 1981 in an attempt to tame inflation and keep the petrodollar "good as gold for oil"—a move that wreaked havoc

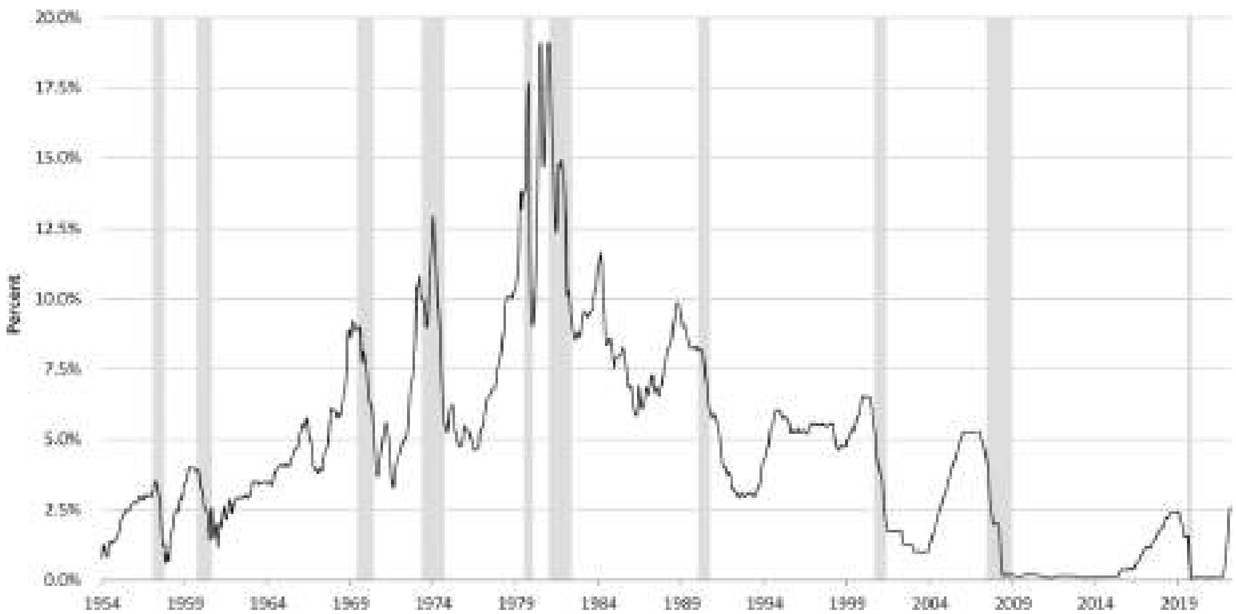
upon the US economy—to those of Jerome Powell, who, beginning in 2020, held on to an "emergency measure" to save the stock market for so long that the Fed's balance sheet blew up to $9 trillion and helped create inflation at a rate that the US hadn't seen in forty years. (Note that the government's fiscal and other policy decisions played a substantial role here, too.)

But there are a few recent decisions that reflect the Fed's manipulation of our money, markets, and economy.

From Nero to Powell

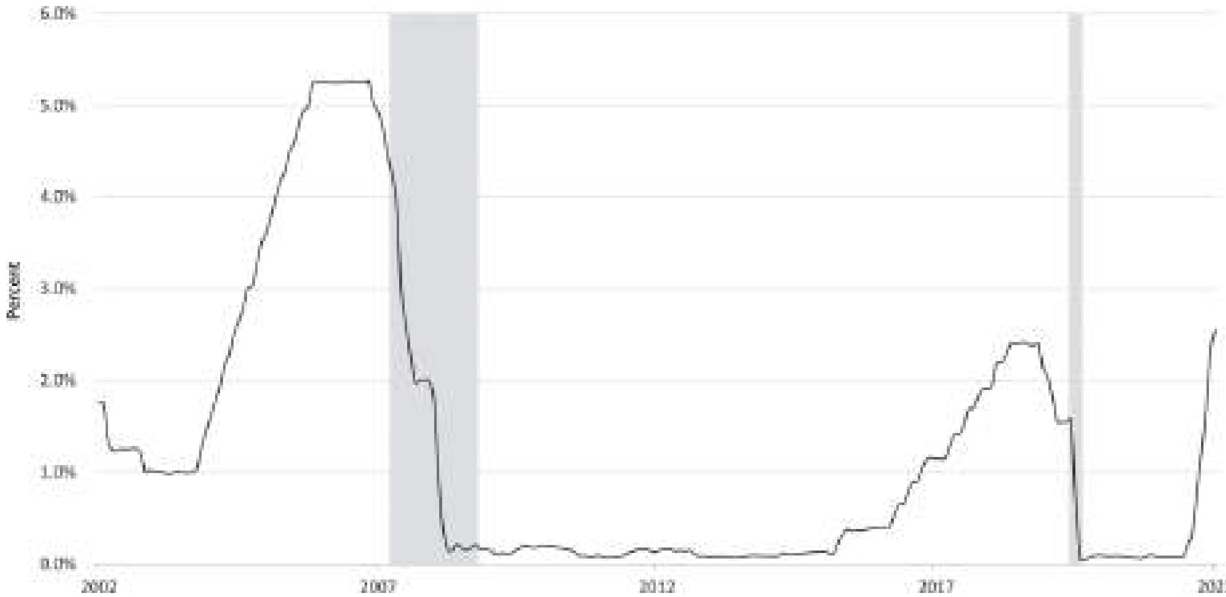
Take a look at the charts of the Fed funds effective rate history (first), blown up to highlight just the last two decades (second).

Federal Funds Effective Rate; Percent, Not Seasonally Adjusted; Monthly; July 1954 to September 2022



Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/FEDFUNDS, October 29, 2022.

Federal Funds Effective Rate; Percent, Not Seasonally Adjusted; Monthly; September 2002 to September 2022



Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/FEDFUNDS, October 29, 2022.

You can see that while the Fed has enacted a lot of different policies with a range of outcomes, their interference in the markets and the economy, and with our money, has accelerated over the last fifteen or so years. In the case of the Fed funds rate, it has been substantially artificially depressed.

The most substantial intervention first happened, as you may recall, with the Fed's policies during the Great Recession (aka the 2007–2009 financial crisis) under Fed chair Ben Bernanke (Alan Greenspan officially opened the door in 1987 with his actions around Black Monday, but Bernanke burst through it with reckless abandon). Historically, the Fed's balance sheet wasn't a tool that was substantially used in a way that made anyone other than policy wonks take notice.

The Fed's actions during the Great Recession changed that. Prior to the crisis, the Fed's balance sheet had been less than $1 trillion to accommodate monetary policy. During the Great Recession, when the Fed had already brought the target rate down and believed it needed more tools to enact its policy, it engaged in large, coordinated purchasing of securities in the open market to expand its balance sheet. This series of actions goes by the financial term *quantitative easing*, or QE, mentioned earlier. As you can guess, QE was not a traditional activity of the Fed historically and introduced a significant amount of artificial intervention into the markets.

Starting with a 50-basis-point cut in September 2007, where the Fed funds target rate stood at 5.25 percent, the Fed lowered the target rate all the way to 0.00 to 0.25 percent by December 2008.[13] What happened was unprecedented in both absolute numbers and duration. You'd have to go back around sixty years to find a Fed funds target rate as low as 0.50 percent. However, under the stewardship of Fed chairs Ben Bernanke and then Janet Yellen, the Fed kept the unprecedentedly low 0.00 to 0.25 percent rates for seven years!

In addition to the interest rate maneuvering, the Fed's balance sheet was leveraged as both a financial and political tool, or, more accurately, a financial and political weapon. By the end of 2009, the Fed's balance sheet stood at close to $2.25 trillion, more than two and a half times what it had been just sixteen months earlier.

It's important to remember in this discussion that the Fed had bought those assets with money it had generated from an accounting entry. This is the equivalent of Nero melting down coins and issuing less valuable ones to make purchases, but is much easier to do.

Though people may argue that this Fed action was required to provide needed financial system liquidity during the crisis, and even if you agree, the level and duration of interference remain unprecedented and dangerous. It is very reminiscent of the good ideas to bad outcomes model. As with so many other "good intentions," once you give up a principle, it is too easy for the ensuing actions to be abusive.

There were a lot of folks to blame during this time and a bunch of bad behaviors converged at once. However, as the late J. Paul Getty famously said, "If you owe the bank $100, that's your problem. If you owe the bank $100 million, that's the bank's problem."[14]

That played out here with a giant step toward ensuring that you will own nothing. Despite the big financial institutions playing the largest role in this financial disaster, they were deemed "too big to fail." They received bailouts, and the government spent hundreds of billions of dollars, yet millions of average Americans lost their homes and did not receive a bailout. This picking of winners and losers took away people's homes and wealth, instead of bailing them out or at least having some sharing of the pain. The economy tanked. People were angry and had been bankrupted. And, with a couple of exceptions, the financial services sector came out of this more powerful than ever.

The long-tail impacts of this are still being felt and it set the foundation of wealth transfer by crisis and normalized emergency support, extending it far past any actual emergencies.

The Fed continued to hold down interest rates, print money, and buy securities. They set up a decade and a half of savers and retirees getting no return on their money while giving cheap and easy money for big corporations to go out and become more powerful. This, along with an explosion in government spending and deficits, continued to debase the dollar.

These actions have accelerated the destruction of wealth for Main Street Americans in a variety of ways and set up a benchmark that was used to further wealth destruction.

The Magic Money Tree

While all of this has been going on, the progressive wing of the Democratic Party put forth an insane concept called Modern Monetary Theory, or MMT (I've adopted calling it by a term I heard somewhere along the way, "Magic Money Tree," because that's a more appropriate moniker for this unicorns-and-rainbows idea). While not a new idea, the packaging tried to make it so. The basic premise is that if you have the means to print money, you can always print more, and so the government can keep spending more.

The concept was extrapolated from a quote by none other than former Federal Reserve chairman Alan Greenspan: "The United States can pay any debt it has because we can always print money to do that. So there is zero probability of default." That's one of those things that is true as worded but not really in principle. When my mom had leukemia a quarter century ago, she was treated with harsh radiation procedures. This killed off the leukemia, but also her

organs and, by default, her. The doctors patted themselves on the back that they had triumphed against leukemia. They said that the leukemia didn't kill her. Still, their actions to combat it did—an infuriatingly stupid perspective. So, yes, we can technically fulfill any debt, but not without eradicating the value of the dollar in the process—another infuriatingly stupid perspective.

MMT is an outgrowth of too much debt leading to desperation.

The MMT folks say that if you are in control of your currency (spend, tax, or borrow in that fiat), you don't have to worry about deficits. You can print whatever you need and you shouldn't be worried about rising debt. It's the equivalent of saying that because you have a checkbook, you can write an unlimited amount of checks. While there are some other nuances and factors in their argument, like taxing the rich more to regulate the inflation induced by spending, the guts of it remain the same.

You don't have to be an economist to know this is idiotic, but the proponents of it, including some economists, will say that a government is not like a household and continue to talk in circles.

Even as this concept has been disproven throughout time and history, and any basic economic understanding lets you understand that just manufacturing more "notes" with no associated improvement in productivity will make each note less valuable, this gained traction from people who presented themselves as serious, who taught economics at universities, who advised presidential candidates, and who infiltrated the government.

The MMT pushers ignored that the fiat money itself wasn't valuable, but rather it represented value in terms of your productivity. If they print more money without a corresponding increase in productive value, you must work harder because each unit of money is worth proportionately less.

MMT throws a lifeline to the government at your expense. Embracing MMT in the US has expanded capricious government spending, thrown financial responsibility and discipline by the wayside, and caused our national debt to explode.

While we have had plenty of examples throughout history, after the printing and spending of recent years, the United States now had concrete real-time evidence of how MMT doesn't work and how money printing and government overspending cause inflation.

It debases the currency and makes it harder for you to thrive, survive, invest, and own. MMT is a key driver of "you will own nothing."

Of course, the Magic Money Tree contingency, who have been lying low lately and yet not receiving nearly the amount of public ridicule that they should, will likely say, "But that wasn't *real* MMT!" as they do with everything else.

And of course the Biden administration, as I write this, is still looking for more ways to spend money that they don't have.

The Cozy Relationship Between Money and Power

Understanding how the elite have been orchestrating a power and money grab requires a deeper look at the ties between Wall Street and their most powerful financial players, and the Federal Reserve and the Treasury (as a representative of the government). The musical chairs between individuals in these roles and the people they have been connected to paint a very

interesting picture. And in this game of musical chairs, when the music stops, it is you, the average American, who is left without a chair.

Looking at pairings of Fed chairs, Treasury secretaries, and related personnel in recent administrations, you will note they come from power centers and return to them after their tenure. Remember, the Fed and the financiers are the ones with the real power and always have been. They created the central banking system, not the government. The government politicians are the useful idiots (and, more recently, useful co-profiteers) that work together to secure money and power for themselves via this interdependent, symbiotic relationship.

The Fed chairs and Treasury secretaries going back to Alan Greenspan have come from politically connected backgrounds, Wall Street powerhouses, big businesses, and elite universities like Harvard and Princeton. After their tenures, they go back into positions at Wall Street powerhouses, big businesses, and elite universities.

If you look at the people who have in recent times been put into the Fed chair and Treasury secretary positions, they are extremely well-connected with Wall Street and other elite institutions and individuals before heading into office. Think of a powerful financial firm, and they are represented or are one connection away.

For example, Treasury secretary Robert Rubin became a director and senior counselor at Citigroup and had a stint as their temporary chairman.[15] Treasury secretary Larry Summers became president of Harvard University and in 2006 was one of five cochairs of the World Economic Forum. He also served as director of the National Economic Council under President Barack Obama. He has served on boards including Square, the Brookings Institution, and the Broad Foundation, among others.[16] Treasury secretary Tim Geithner became president of the major private equity firm Warburg Pincus.[17]

Fed chair Ben Bernanke, postretirement, was hired as an advisor to both PIMCO (a top investment management firm with around $2 trillion in assets under management) and the hedge fund Citadel.[18]

Between her stints as Fed chair and Treasury secretary, Janet Yellen pulled in $7.2 million in speeches from large financial and business institutions, including “Citi, Goldman Sachs, Google, City National Bank, UBS, Citadel LLC, Barclays, Credit Suisse, Salesforce and more.”[19] And after leaving office, Treasury secretary Steve Mnuchin started a new private equity firm, Liberty Strategic Capital, with a reported $2.5 billion in assets under management, with “most of the money . . . from sovereign wealth funds in the Middle East, including Saudi Arabia’s Public Investment Fund.”[20]

One thing that has become clear as time has gone by is that in the powerful alliance between Wall Street, the Federal Reserve, and the government, a well-connected Fed chair and Treasury secretary combination can facilitate a lot of influence, perks, and wealth accumulation for the money class, asset accumulators, and fee hounds.

You may think these may just be the best people for the job. That may also explain how, after office, they often land extremely plum, well-paid roles at some of the most prestigious firms in the country. It may be because of their pedigrees—or it may be for other reasons. Rubin, for example, was awarded $126 million in cash and stock by Citigroup during his time there, which overlapped the Treasury’s bailout of Citigroup. He ultimately resigned among criticism of his performance, but with that nine-figure compensation to console him.[21]

Also, individuals who have contradicted the cash bonanza wealth transfers facilitated by the Fed and Treasury have found themselves out of a job quickly, such as former Treasury secretary Paul O'Neill, who lasted less than two years before being fired by President George W. Bush, despite his business savvy. He was against another round of tax cuts, worrying they would lead to greater deficits and hurt the economy (he was also an Iraq War critic).[22]

Wall Street, the Federal Reserve, and the government, with strong Treasury secretaries, have been the ultimate enablers of profiteering and wealth transfers. The money class, asset accumulators, and fee hounds have accumulated more and more wealth for themselves. Whether it was Rubin's role in setting up the ultimate repeal of key provisions of the Glass-Steagall Act, a move that changed the face of the banking industry; the "Greenspan put," which is often attributed to enabling the dot-com bubble and the subprime mortgage crisis; Paulson, Bernanke, and Geithner's well-rewarded bailout of the financial services sector; or Mnuchin and Powell's hiring of BlackRock to work with the Fed during the "Covid era," it's hard not to see these collaborations as enabling a well-connected cash grab.[23]

You can go back to the Troubled Assets Relief Program (TARP) bailout recipients for some confirmation. Not only was no individual ever convicted of any crimes, but look at the bonuses of the recipients for 2008, including bonuses that were in excess of one million, two million, and three million dollars:

TARP Recipients' 2008 Bonus Chart

Institution	**TARP Received**	**Bonus Pool**	**Bonuses at or > $3 million**	**Bonuses at or > $2 million**	**Bonuses at or > $1 million**
Bank of America	$45,000,000,000	$3,300,000,000	28	65	172
Bank of New York Mellon	$3,000,000,000	$945,000,000	12	22	74
Citigroup, Inc.	$45,000,000,000	$5,330,000,000	124	176	738
Goldman Sachs Group	$10,000,000,000	$4,823,358,763	212	391	953
JPMorgan Chase & Co.	$25,000,000,000	$8,693,000,000	>200	--	1626
Merrill Lynch	$10,000,000,000	$3,600,000,000	149	--	696
Morgan Stanley	$10,000,000,000	$4,475,000,000	101	189	428
State Street Corp.	$2,000,000,000	$469,970,000	3	8	44

Wells Fargo & Co.	$25,000,000,000	$977,500,000	7	22	62

Source: Attorney General Andrew M. Cuomo, "No Rhyme or Reason: The 'Heads I Win, Tails You Lose' Bank Bonus Culture," report, State of New York, July 2009, Appendix A.

Millions of Americans lost their homes and the TARP recipients made millions of dollars.

It may seem counterintuitive, but boom-and-bust cycles are good for those with long-term outlooks and staying power and are a conduit to transferring wealth. The well-capitalized reap the rewards during the booms, and during the busts they have the financial wherewithal to remain patient and take advantage of the bust cycles, picking up assets in distress and waiting for the cycle to inflate them all over again.

It appears that going back to Paul Volcker under the Carter and Reagan administrations, his actions make him an outlier—not so much because of what he did, but rather because he was playing by a different set of rules and intentions.

It is this group that sits at the center, making sure that they and their cronies are well compensated, even if that means you end up owning little to nothing in the process.

The Covid Multitrillion-Dollar Inferno

Returning to the Fed, coming out of the Great Recession they never normalized their "emergency" policy. The US was in a state of emergency with Fed intervention and policy for more than a decade and a half.

This likely resulted from what I call the "not-so-secret other dual mandate" for the Fed, in conjunction with the Treasury Department. While the stated Federal Reserve mandate from Congress is full employment and stable prices (aka not letting inflation take hold), it seems as though the Fed has been operating to prop up Wall Street and give the government cover for overspending (aka government expansion).

Wall Street, the Treasury, and the Federal Reserve have a very interdependent, symbiotic relationship, as explained above.

Take the interest rate the US government pays on its debt. The Fed funds rate influences the rates the government pays when it issues its Treasury notes and bonds (indirectly, not on a one-to-one basis). As the Fed funds rate goes higher (or is anticipated to move higher), other interest rates, including the rates on Treasurys, also typically move higher.

At the time of writing, the average duration of Treasury debt was about five to six years, and the interest rate was a mere 1.4 percent, but the ten-year Treasury note yield had moved above 4.0 percent. With more than $31 trillion in national debt and growing, as the government retires Treasury securities and issues new ones, they now have to do so at higher interest rates. Over time, a 1 percent increase in the cost of their financing will translate to more than $300 billion in additional interest expense that needs to be paid on today's debt—not for new spending but paying for things the government already bought. It's like an adjustable rate on a credit card, and you know that increasing costs make it harder to keep your finances sound.

The Congressional Budget Office (CBO), in their "Budget and Economic Outlook: 2022 to 2032" report, expects the national debt held by the public to surpass $40 trillion in the next decade and expects net interest paid on that debt to almost triple, to over $1 trillion by 2030.

There is no real plan for government spending or debt reduction, and the current path shows more debt expansion. With the government's unfunded liabilities and obligations, the projected amount is estimated at tens of trillions of dollars more; plus, CBO estimates tend to be conservative (especially if interest rates remain elevated).[24]

To address this, it is likely that more money will be "printed," which will further devalue the dollar.

Over the next thirty years, the CBO estimates, interest payments on the debt will total more than $60 trillion—nearly three times our current GDP.[25]

Michael Burry, the famed investor from *The Big Short* who was an early predictor of the 2008–2009 Great Recession, tweeted, When you see mention of the strong dollar, the almighty dollar, please remember this is only in relation to other fiat currencies. The dollar is not at all strong, and it is not getting stronger. We all see it every single day in prices of everything.

As my friend and market strategist Jim Iuorio put it in layman's terms, the dollar may be strong against the euro but it isn't strong against a bag of groceries.

The ridiculously large national debt load that the US government carries (the US public debt was estimated at around 120 percent of GDP as of Q3 2022) has undoubtedly been a major influence on the Fed's monetary policy. Given the fact that rising interest rates mean more interest expense, it will likely influence Fed policy for years to come.

With that backdrop, the Fed helped enable the most historic transfer of wealth we have ever seen during the Covid years.

As a side note, which Burry alludes to, money printing and currency debasement is an issue not just in the US, but also for major central banks around the world. Central banks like the European Central Bank and the Bank of Japan have, combined, printed trillions of dollars' worth of their own currencies in recent years.[26] Countries including Japan, Italy, France, Spain, Greece, Portugal, and Belgium, among others, have public debt that is near or exceeds their GDP. They will all be contending with the same issues the US is facing, but in many cases with less underlying economic strength, which could materially impact the global economy.

The Big Lie: Inflation Is Transitory

As I recounted in *The War on Small Business*, in Q1 2020, the very first financial measures that were taken related to the Covid pandemic were to save the stock market. In March 2020, the Fed undertook two emergency rate cuts, bringing the Fed funds target rate down to 0.00 to 0.25 percent. They also announced a QE program, which ultimately went on for two full years and swelled their balance sheet to nearly $9 trillion.

This was clearly meant to help Wall Street. The lower interest rates and securities purchases inflated assets at the expense of retirees and savers, who were not able to earn anything on their savings and had to either take on more risk to generate any sort of return or just forgo it. It also wasn't a benefit to Main Street—in fact, it just made their larger competitors stronger.

The strengthening of the corporate Goliaths took place not just with monetary policy, but via government policy as well. The shuttering of small businesses by mandate meant that

larger competitors who could remain open received more of consumers' dollars. The financial support from the Fed was the second piece of this one-two punch.

Had Wall Street had to suffer the same pain that everyone else was suffering, the overly strict Covid policies would probably have lasted fewer than the target fifteen days to slow the spread, and we would have moved directly to a mitigation stance. This would have reduced the long-tail impact of these bad ideas, from the disruption of the labor market to the potential for worldwide mass starvation (a talk for another time).

After President Biden took office, he had an opportunity to normalize the economy and help stop the percolating inflationary environment. Despite trillions of dollars in stimulus added to the economy, vaccines being widely rolled out, and the economy reopening across the board, the administration decided to add more fuel to the fire. They passed the $1.9 trillion American Rescue Plan, which, of course, the Fed was on standby with their asset purchasing program to help absorb. That, along with other bad economic decisions from the administration, including canceling oil and gas leases, was all the supply-constrained economy could handle.

The stimulus further stimulated the economy, something that should be apparent from the word *stimulus* but clearly caught some people by surprise.

Inflation very predictably took off like a rocket ship. By June 2021, inflation had reached its fastest pace in thirteen years.[27] But Americans were told, by the Fed and by the Biden administration, the big lie—that percolating inflation was "transitory." While it was clear to everyone with a basic economic degree that the historic level of spending and Fed intervention would put pressure on the dollar's value, making everything more expensive for everyday Americans, they continued to push the lie.

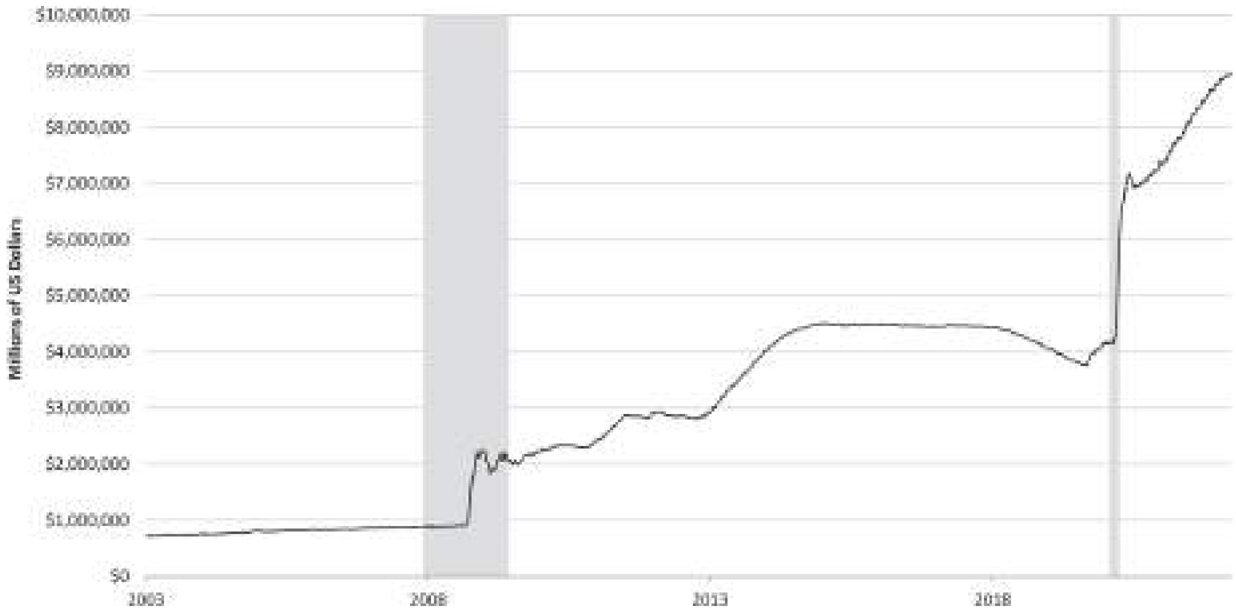
Treasury secretary Janet Yellen, at an early June 2021 meeting of the G7 in London, said, "We're seeing some inflation but I don't believe it's permanent," later adding, "I personally believe this represents transitory factors."[28] In October 2021, she reiterated the transitory view in an interview with the *CBS Evening News*.[29]

The media kept running cover and the Fed and Biden administration kept pretending reality didn't exist.

In January 2022, inflation, despite our being told that it would not be an issue, reached a forty-year high and continued to hit highs over the following months, reaching 9.1 percent for the CPI in June 2022, and 11.6 percent and 11.3 percent for the Producer Price Index (PPI) in March and June 2022, respectively.[30] It was still a couple of months after reaching historic inflation levels that the Fed stopped buying securities and decided they would have to start raising interest rates to quell the inflation that they and the government together had caused.

Everyone who caused this epic dollar debasement or was a cheerleader for the actions that enabled it blamed everyone and everything except themselves.

Total Assets: Federal Reserve; Millions of US Dollars; Weekly; Not Seasonally Adjusted, December 2002–April 2022



Source: Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/WALCL, October 29, 2022.

For a sense of the scope of what was done, first take a look at the Federal Reserve balance sheet over the past twenty years, from before the Great Recession financial crisis through April 2022, when they were first starting to "normalize" their policy.

Alongside that, take a look at the money supply. The money supply is a proxy for money in circulation that consumers can easily access to make purchases (and differentiated from their investments). M1 includes cash and checking deposits as a proxy for cash equivalents, and M2 includes all the elements of M1, plus money in savings accounts, money market accounts, and other "time deposits" that are under $100,000 in value, which represents cash equivalents and money easily converted into cash.[31]

While in the past I would have shown you M1 in relation to the change in the money supply, today I am using M2 because of an accounting change that happened alongside the extraordinary financial measures taken over the past couple of years. Morgan Housel, author and partner at the Collaborative Fund, helped to break this down. He explained that, historically, due to banking regulations, savings accounts differed from checking accounts because savings accounts had a limit of six withdrawals per month.[32]

But in April 2020, when people lost their jobs because of government closure mandates, the six-withdrawal rule on savings was eliminated to allow them to more readily access their savings if needed. That changed the accounting. As Housel said, "Savings accounts are measured in M2 and left out of M1. But once the six-withdrawal rule was removed, every savings account suddenly became, in the eyes of regulators and people who make these charts, a checking account."

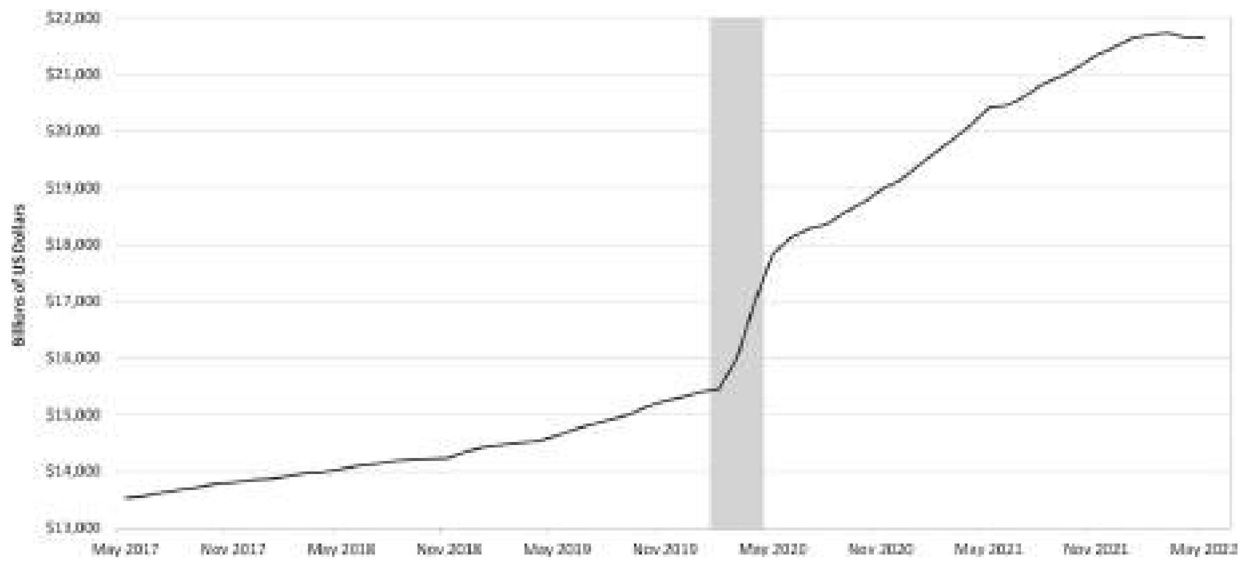
The charts of M1 weren't normalized to account for these changes, and therefore M2 is a more accurate proxy for our discussion. The change in M2 is staggering, but not quite as

staggering as the numbers that are sometimes exaggerated by those who didn't understand this nuance and just showed the change in M1 without adjusting the data for the policy change.

Look at the M2 chart focused on the past five years to give you a sense of the change in the money supply from the aforementioned policies.

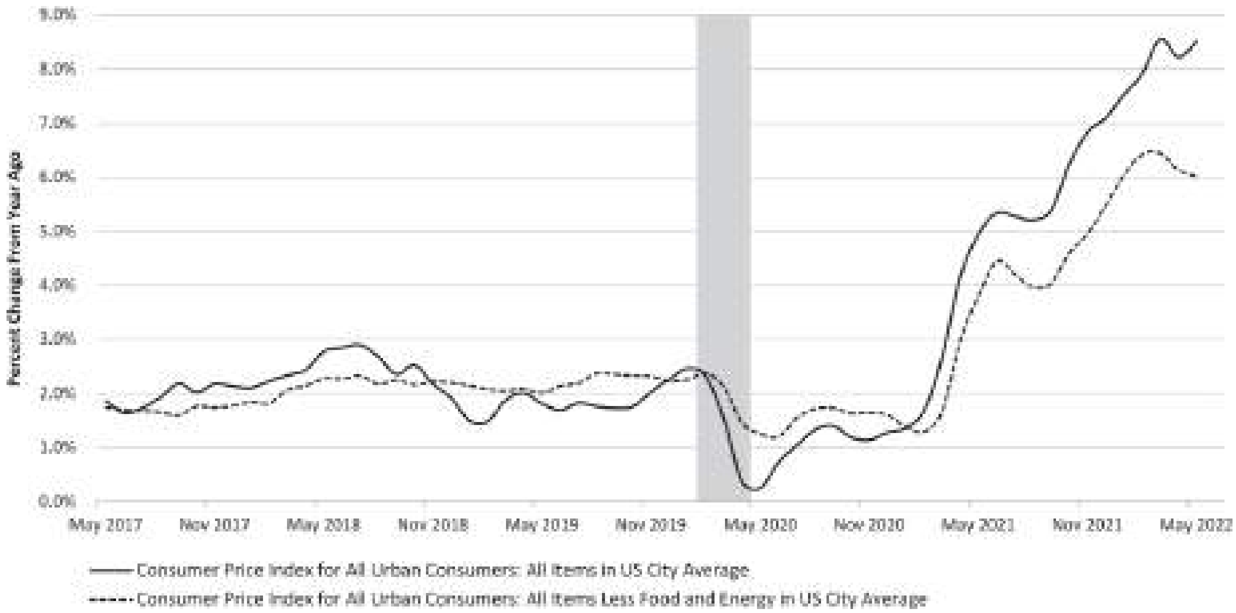
Even if you are not a chart aficionado, hopefully you can still ascertain the scope of the monetary, fiscal, and other government policy and now connect the dots as to what that has done to your purchasing power and wealth creation opportunities.

M2; Billions of Dollars; Seasonally Adjusted; Monthly; May 2017–May 2022



Source: Board of Governors of the Federal Reserve System (US), M2 [M2SL], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/M2SL, October 29, 2022.

Consumer Price Index for All Urban Consumers: All Items in US City Average vs. Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in US. City Average; Percent Change from a Year Ago; Seasonally Adjusted; Monthly; May 2017–May 2022



Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in US City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CPIAUCSL, October 30, 2022; US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in US City Average [CPILFESL], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CPILFESL, October 30, 2022.

As we know, inflation is an erosion in the dollar's purchasing power—debasement or erosion of the dollar's role as sound and stable money.

To give scope, here is government-measured CPI inflation changes over the past five years:

Note again that it is widely accepted that the CPI is a "fudged" measure of inflation. The calculation has been shifted several times since the 1980s in ways that make it appear lower than it actually would be had the calculation used in the 1980s remained constant. The reasons for this change range from getting more latitude and acceptance for government spending to the government not having to make their cost-of-living adjustments for programs by the same amount of money. They are shortchanging you on money on both sides, marching you further toward owning nothing.

The bottom line is that all of this intervention and policy stole wealth from Americans, as well as holders of dollars around the world. The Fed and US government's actions rhyme with the Roman, Dutch, and British empires before it.

These actions march us closer to a change in the financial world order, all while devaluing the earnings and wealth of the people who worked hard for them. And while the government and Fed may have taken a pause, they have no long-term plans to stop.

In the not-too-distant future, people who hold a million dollars will find that they may be millionaires according to their bank but are "nillionaires" according to their purchasing power.

All for Naught

The central planners making decisions to steer the economy drive real outcomes and consequences that you pay for, both figuratively and quite literally.

The stated purpose of the Fed's and government's "Covid" policy intervention back in 2020 was to save the economy. It, however, transferred wealth to Wall Street, drove up inflation, and then, upon changing course due to the policy outcomes, induced the stock market to give much of its gains back. Overall, the Fed and government policy wreaked havoc on the economy via stagflation and a two-quarter technical recession.

If the purpose was to stabilize the economy, they failed miserably. But they transferred a ton of wealth. And shortly thereafter, much of that was drained from the stock market ($8.5 trillion drained out from January 1, 2022, to June 30, 2022, with $3.4 trillion of that coming from 401(k) and IRA retirement funds.)[33] Plus, they caused massive inflation and still ended up with a damaged economy. Wages didn't come anywhere near keeping pace with inflation, and average Americans found themselves struggling to cover the basics of food, housing, and gas.

The historic printing of money by the Federal Reserve enabled the biggest wealth transfer in history. It has also enabled the highest level of inflation in forty years, further widening the wealth gap in the US and creating hardship for average Americans.

Net-net, this intervention did nothing to save the economy and created a slew of problems and a worse outcome.

The US would have endured short-term pain without their intervention, but that could have ended quickly. Instead, their meddling caused nothing but long-term destruction.

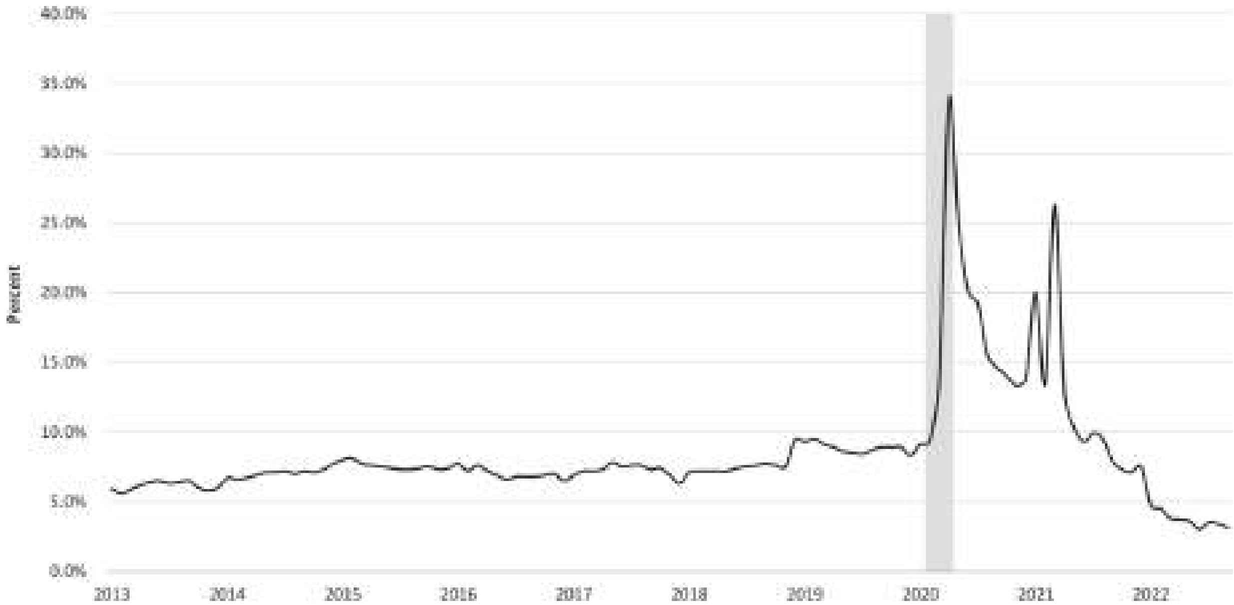
Whether you think it was incompetence, intentional destruction, or a combination of both, it doesn't matter. The outcome is the same as it has been in all the financial empires that have fallen before.

The unwillingness to respect the sanctity of money and support a stable currency, the unwillingness to preserve it as a store of value and an unwavering unit of account, means that every dollar you work so hard for is worth less and less over time.

Take a look at what was done at the expense of consumers. The personal saving rate, which shows savings as a percentage of disposable personal income, demonstrates the depletion of individual savings as this policy worked its way through the economy. With government stimulus benefits and staying at home, Americans brought up their savings to historic levels (reaching 33.8 percent, the highest level since tracking began).[34] As their lives normalized and inflation began to take hold, individuals depleted their savings. This was an abnormal time, so we would want to look at where the saving rate was before the pandemic for comparison, and it was on the rise. It was up to 8.3 percent in February 2020.

After the inflationary pressures, by October 2022 it was down to 2.2 percent, the lowest rate since mid-2005, and the second-lowest rate on record (government data released from 1959).[35]

Personal Saving Rate; Percent; Seasonally Adjusted Annual Rate; September 2012–September 2022



Source: US Bureau of Economic Analysis, Personal Saving Rate [PSAVERT], retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/PSAVERT, October 29, 2022.

Debt spending also went through the roof, as consumers had to worsen their financial standing to cover their expenses. By the end of Q2 2022, household debt surpassed $16 trillion, an increase of about $2 trillion over 2019, according to the New York Fed. The same report showed that credit cards' "13% year-over-year increase marked the largest in more than 20 years."[36]

So, the central planners wanted to keep the consumer spending to avoid a recession, but they also wanted to cool demand to stop inflation. Those objectives are completely at odds with each other, and the economy ended up in stagflation.

The individual American's financial position needed to be sacrificed to prop up the economy based on the actions of the central planners.

They destroyed the dollar, destroyed the economy, and then expected you to destroy whatever wealth you had left to save the long-term outcome.

They don't care because they will still get their power positions, speaking fees, and other perks. You, on the other hand, will own nothing.

The Retail Revolution Roadblock

As the Fed was manipulating the market, in late 2020 and early 2021, a retail investor revolution started to take hold. Beginning on message boards and spilling over across social media, retail investors formed different tribes to take on the elite and Wall Street.

One investor told me during that time that their focus was a digital version of Occupy Wall Street. This time the protesters weren't holding signs in the streets. They were using their balance sheets to fight back.

Given the manipulations in the market since the Great Recession and the first Occupy Wall Street protests, retail investors believed the markets were tilted in favor of the large,

institutional Wall Street traders and investment houses, and wanted to participate in the wealth creation that was going on.

They were on to something. The US economy has been rigged as it has been moved further away from free market capitalism to a cronyist nightmare wherein central planners and big companies work together to consolidate power. They scratch each other's backs and ultimately attack barriers that get in their way of rolling up money and control. Small businesses and small individuals, which make up the backbone of the economy and stand for economic freedom, have been both passively and intentionally targeted.

The retail investors were fighting for free market capitalism. They wanted a fair game. They sought transparency and a level playing field. They, in large part, didn't have a problem with the rich; they had a problem with the rich getting to play by a different set of rules.

Insiders get to trade in dark pools, which mask the free flow of information. Bad actors often get small fines for running afoul of rules. Inside information, which is supposedly not legal, moves markets before the news hits the media.

While Wall Street insiders (such as institutional investors and business media) often refer to retail investors as dumb money, they are not. The retail investors are just not on the inside. They don't have a VIP pass. And, when retail investors do well, they are viewed as a threat.

One of the main practices upsetting retail investors was naked shorting. While illegal, this practice of selling shares short that a seller has not borrowed (or perhaps even located) has a loophole for market makers. The concern was that the same share could be sold time and time again, basically creating the existence of the shares from nothing.

While their concern is valid, the biggest perpetrator of the creating something from nothing that has slanted the market in favor of the big guys and insiders at the expense of small businesses, retail investors, and individuals wasn't short sellers or prime brokers; it was the Federal Reserve.

As discussed, the Federal Reserve has created not synthetic shares but synthetic money, in effect, and instead of the amounts being in millions, they are in the trillions.

There was a backlash from the government against this movement, wanting to regulate the retail investor. First the government was concerned with retail investors potentially manipulating the market. Then the government, of course, wanted to "protect" the little guy. Well, the biggest market manipulator that the retail investor needed protection from was the Federal Reserve. Once again, the call was coming from inside the house.

See, the government doesn't mind when consumers waste money on all kinds of stupid things—lavish vacations, gold toilets, whatever—you can buy as much as you want. That's because spending depletes your ability to create wealth for yourself but often transfers it to those closer to the inside. But try to invest to build wealth? Well, you are just too dumb for that.[37]

It's all code for you will own nothing.

Of course, those on the inside took advantage of this overinflation in the market.

If you were to purchase stocks in advance of learning about non-public information or making decisions that influence the stocks' outcomes, it would be called insider trading. When Congress does that, as then–Speaker of the House Nancy Pelosi put it, it's part of "a free market economy."

As is the case with many other government and Fed officials, owning and trading stocks has netted Pelosi and her family millions of dollars.

In addition to dozens of members of Congress from both major political parties not fully complying with reporting requirements around trading, during this period members of the Federal Reserve and many members of Congress traded under circumstances that, if not outright insider trading, certainly created the perception of substantial conflicts of interest.

Two regional Fed presidents, Robert Kaplan and Eric Rosengren, disclosed active stock trading in 2020 while the Fed made decisions on historical intervention in the markets, including major asset purchases, raising some moral questions. After these disclosures came to light, these two gentlemen announced their retirements (Kaplan noting the distraction of the issue and Rosengren citing health issues). In October 2021 the Federal Reserve introduced "a broad set of new rules that will prohibit the purchase of individual securities, restrict active trading, and increase the timeliness of reporting and public disclosure by Federal Reserve policymakers and senior staff."

In January 2022, Federal Reserve vice chair Richard Clarida announced his early resignation as well, following scrutiny of his trading activity and disclosures.

Members of Congress also traded actively during that time, as well as many other times. Senators Dianne Feinstein, Kelly Loeffler, James Inhofe, and Richard Burr were actively investigated by the Justice Department, but no criminal charges were filed. The Securities and Exchange Commission closed an investigation into Burr and his brother-in-law on trades made after Q1 2020 congressional coronavirus briefings without action in January 2023.

The Pelosis' track record of making millions in the market is so strong that retail investors have taken to tracking and mimicking their trades. The unusualwhales.com website has been disclosing the millions that the Pelosis and other members of Congress have made via individual stocks, including showing the Pelosis and other members of Congress with returns beating the performance of the S&P 500 for 2021.

Even federal judges are in on the action. A *Wall Street Journal* report found that between 2010 and 2018, 131 federal judges failed to recuse themselves from 685 lawsuits in which they or their family members had a financial interest via stock ownership.[38]

On the back of the Federal Reserve and government enabling a historic wealth transfer from Main Street to Wall Street, this trading by true insiders and influencers furthers concerns that wealth creation is rigged. How does the average American participate in wealth creation when all the elites are doing is looking out for themselves?

Ultimately, while the Federal Reserve's unscrupulous and damaging policy lured many investors into the market, it also left them holding the bag. As discussed, trillions of dollars in value evaporated from the markets, with trillions more bleeding from crypto and other asset classes, and retail investors lost a great deal of tangible wealth.[39]

By the time the Federal Reserve runs to prop up the market again, many of these smaller investors will be disenfranchised and sit out of the market, missing out on the next run-up.

The Fed transferred money to the wealthy, lured in the small guys, and then popped the bubble. The retail revolution had met the ultimate in market manipulation.

Credere: What Are We Trusting?

The word *credit* comes from the Latin word *credere*, which means trust. But when it comes down to it, what exactly are we trusting?

The Federal Reserve, in conjunction with the government, has managed to do just about everything wrong. They have taken advantage of fiat money, overspent, and eroded the dollar's value. They failed to hold the dollar to be as "good as gold for oil," leading the rest of the world to rethink pricing oil in dollars.

They have failed to create an environment at home that created a prosperous economy for all to participate in and generate wealth. Instead they have helped transfer more wealth from the average American to the already wealthy and well-connected.

And they allowed the reserves they were holding on behalf of a sovereign nation to be weaponized, effectively signaling to the entire world that the United States' financial system is a weapon, not a source of stability.

All of this comes together in a complex web with you, your freedoms, and your wealth at the center. Their actions accelerate the new financial world order. They allow bad actors to profit at your expense. They create a position whereby what you own will be worth less, and then it will be worth nothing. And you will own nothing.

But they want you to trust them again, further centralizing their control over money with what's called a Central Bank Digital Currency. This is another tool of control that in no way will make you better off and in every way will make you worse off.

Chapter 5

Digital Dollar Destitution

How Central Bank Digital Currencies Control You and Your Wealth

Show me the incentive and I will show you the outcome.

—legendary investor Charlie Munger

If a government wanted to control how you acted and interacted, push an agenda for “the good of society,” or exert some other control, the easiest way to do that is through money.

In fact, governments already do this. Behaviors they want less of, they tax. In the United States, products that are seen as immoral and harmful “to society,” like tobacco, alcohol, and even soft drinks, may receive punitive taxes (they are literally called “sin taxes”). On the other hand, when certain behaviors are desired, the government will often provide tax credits to encourage their desired behaviors. We have seen this with the “green” energy push via the US government issuing tax credits for electric vehicles, solar panels, and other green-associated purchases and behaviors.

Cities and states that want to attract more business often provide monetary incentives to lure new businesses to their localities.

To entice citizens to take the Covid vaccinations, many states resorted to cash lotteries for compliance. A variety of states pushed vaccines for a chance at cash, some using names like “Shot of a Lifetime” and “Vax for the Win.” States including California, Colorado, Kentucky, Louisiana, Maryland, Nevada, New Mexico, North Carolina, Ohio, Oregon, Washington, and West

Virginia all offered up a chance at seven figures for you to do what they wanted—put a drug into your body.[1]

If you didn't take the vaccine, you could lose your job and source of income.

The bottom line is that money incentivizes behaviors, which is why the more centralized the control of money is, the more opportunities for abuse that arise.

Combine this truth with the recent activities of the Federal Reserve, covered in the previous chapter, and the emergence of a new financial world order, and it is easy to see how more centralization of wealth could engender a massive disaster for individuals. This is why the discussions around Central Bank Digital Currency (or CBDCs) are so frightening, particularly as it pertains to the realm of economic freedom and wealth creation.

What Is a CBDC?

As we discussed in Chapter 2, the monetary system both worldwide and in the US has gone through many evolutions.

You may think of money in its physical form. In the US, that would be Federal Reserve notes (you know them colloquially as dollars or dollar bills) and minted coins of varying denominations. These are, in the words of the Federal Reserve, "obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank."[2] Today, as fiat money, these dollars exist backed by merely the "full faith and credit" of the US government, which really means the faith in the strength and productivity of the American economy, plus the US military to protect it.

Both the form that money takes and the means to exchange money have shifted and evolved over time. As technology has progressed, more of the exchange of money has shifted to digital formats. Most of us are more likely to pay for goods and services with a debit or credit card than via cash. New technologies, whether they be Apple Pay or PayPal, facilitate substantial money transfers each day all over the globe.

Even at the Federal Reserve, when they take the action referred to in the press as “printing money” and expanding the money supply, it’s not via physical dollar notes. It’s merely a digital entry in the accounts of the financial institutions (who have accounts with the Federal Reserve). This trend, notably, has made governments (and, arguably, consumers) more irresponsible with their money management. There’s a psychology behind spending when you have to fork over a dollar versus use a proxy for it (as casinos know all too well when they have you change your money into chips or slot machine credits).

The same goes for the Federal Reserve, which was once bound by the gold backing of the dollar and no longer has those constraints.

A CBDC is a further step in this digital evolution of money, but with even more centralization of control and power than what you might think of in the digital realm for money.

A CBDC is merely a digital version of whatever currency the government is already backing with its “full faith.” It is issued and regulated by the same monetary authority or central bank that issues the country’s fiat money.[3]

For the US, what is currently being considered is replacing or supplementing some of the Federal Reserve notes with digital US dollars. Instead of a dollar that you keep in your physical wallet, under a mattress, or in a cereal box, you would have a digital-equivalent place of storage, since those dollars’ forms are digital-only. That digital holder for money is a digital wallet.

A digital wallet is meant as a digital replacement for a physical wallet. The digital wallet is a software application, today generally accessed via smartphone, that securely (or, in truth, somewhat securely, as no technology is entirely secure) stores the types of things you would in a regular wallet. This could be not only digital dollars and credit card information, but also cryptocurrency and personal information (like the information on your driver’s license, again in digital form).

The software application assists with the transfer of money, enabling you to pay for goods and services or to transfer money to friends and family. If you have an iPhone or an Android-operated phone, you may already use well-known digital wallets like Apple Pay and Google Pay. PayPal, while itself a robust payment transfer system, also has a digital wallet you can access. And many banks are starting to offer their own digital wallets.

You do not need to have a bank account to have a digital wallet, but many digital wallets can connect to bank accounts. Digital wallets facilitate payment but do not provide—at least currently—any other banking products or services.

One of the key aspects of digital currency is that it can be programmable. Because of this, each dollar could have a unique identifier. Think about when someone draws a picture on a dollar bill to see if it ever circulates back to them in the future. Now think of that at scale, using technology, with the government tracing it. Each digital dollar could have a unique code so that it can be traced as it circulates from person to person to business to business, giving the government a treasure trove of information about what you are doing, where you are doing it, and who you are doing it with.

Wholesale and Retail CBDCs

A key question for all CBDCs, but particularly for a US dollar CBDC, is how the flow of funds will work. And related to the implementation of the digital central bank currency, the question is whether it is implemented at the "wholesale" level, meaning between the Federal Reserve and the financial institutions it interacts with, or rather at the public or "retail" level, which means directly to individuals. Or perhaps a hybrid of both.

A wholesale CBDC sounds an awful lot like what the Federal Reserve already does. The idea for the wholesale CBDC is that when a bank or other financial institution opens an account at the central bank, digital dollars are used in deposits and settlements. Just like today, monetary policy allows changes to reserve requirements, interest on reserves, and bank-to-bank lending to create desired outcomes in the market (as an editorial note, I would qualify that as "desired by the central bank," because, as we have seen, those outcomes have severe implications, such as asset bubbles and inflation).[4]

The question then becomes whether the digital currency is used only between the Fed and the intermediaries, or if the public also uses the Central Bank Digital Currency.

Public-facing "retail" CBDCs are ones given to the public to replace your physical dollars with digital ones for transactions. How this is accomplished is critical. It can be done via intermediaries (banks, online financial companies, etc.) in a public-private type partnership, or it can be

done directly by disrupting the banking system and removing intermediaries. This would mean that businesses and individuals would have to open accounts at the Federal Reserve (or the relevant country's central bank). This would effectively eliminate the middleman of the banking system and fully centralize finance within the Fed and government's purview.[5]

While the current Federal Reserve chairman, Jerome Powell, has said that the consideration of a direct-to-public CBDC is off the table, as I will discuss in more detail below, once we take even a baby step in that direction, it's unlikely the government will stop moving over time, especially when it gives them so much power. If you give the government an inch, they take a mile, and then they don't stop taking (and probably eventually charge a toll for use).

As a reminder, when the government has worked to take things away from the private sector and further centralize them, it typically comes with disastrous results. Take student lending, which, as the government has nationalized it in large part, has caused college costs to increase exponentially above the inflation rate and has saddled young people with substantial debts.

Money is already politicized and centrally planned more than enough in the US; we do not need further centralization of the financial system.

On the technology side, different technology architectures and systems exist for CBDCs. As they will likely evolve as blockchain and other fintech evolves, I won't spend a lot of time on those here.

Your wealth creation opportunities are already substantially under threat today from the government. The threat of more constraints on wealth creation increases exponentially if the government has a digital, programmable, trackable currency that it fully and effectively controls and can tie into social credit, formally or informally.

So, Is This Cryptocurrency?

Interest in cryptocurrency (or "crypto") and blockchain technology has exploded around the world.

In June 2022, the value of cryptocurrency was less than $1 trillion, down from a peak of almost $3 trillion in late 2021.[6] While there are estimated to be more than 18,000 different cryptocurrencies in existence, the most popular

and valuable include Bitcoin and Ethereum, each of which operates differently, with a variety of characteristics.

A basic explanation of cryptocurrency is they are digitally native tokens (colloquially known as "coins") that are accounted for via a decentralized network (also known as peer-to-peer network) using a distributed and decentralized ledger called the "blockchain."[7]

According to Investopedia, "The 'crypto' in cryptocurrencies refers to complicated cryptography that allows for the creation and processing of digital currencies and their transactions across decentralized systems. Alongside this important 'crypto' feature is a common commitment to decentralization."[8]

One of the reasons many people cite for interest in blockchain-based cryptocurrencies is the abuse by central banks of their respective currencies.

Cryptocurrency like Bitcoin does not have a central authority directing it (or manipulating it for political purposes), and its decentralized nature is an intentional pushback against such control, which is why many individuals find it attractive. The desire from individuals for monetary decentralization and not having currency dependent upon any one government or consortium of governments is exactly why governments and central banks consider it a threat.

A digital currency is not a cryptocurrency. You will find some intentional confusion and even conflation around them, including by the governments considering them. This is intentional as central planners seek to piggyback on the interest in cryptocurrency without decentralization.[9]

Digital currencies, particularly those being proposed as CBDCs, are the opposite of cryptos. While CBDCs are digitally native and may share some technical architecture and design or even use blockchain technology, they are entirely centrally planned and controlled, taking away a key benefit that individuals are seeking from cryptocurrencies.

The central planners are using the confusion about what a digital currency versus a cryptocurrency is to try to capitalize on the enthusiasm for crypto and drive interest in something incredibly different.

For example, in March 2022, the Biden administration put out an "Executive Order on Ensuring Responsible Development of Digital Assets," which started talking about cryptocurrency broadly and then switched to cover "Policy and Actions Related to United States Central Bank Digital Currencies."[10]

CBDCs could use blockchain and distributed ledger technology or other technology systems. Governments could program the currency (similar to the functionality that certain cryptos have), but none of those elements are required for it to be considered a CBDC.

Despite some possible benefits, the risks of going down the CBDC path, particularly in the US and in other developed nations, are far too great.

What Is at Stake?

Imagine this.

You wake up and are excited about your big day. Today you are going to close a major deal that will change the trajectory of your company. The financial implications of this new transaction will save your business, which has been struggling because of onerous government regulation and government- and Fed-induced inflation. You meticulously get ready, putting on your best suit. You eat breakfast, then open Uber to digitally hail an electric car, as you no longer have your own car; the government long ago instituted a crippling tax on car ownership, particularly non-electric vehicles.

Uber informs you that it cannot offer you a ride because the government has limited access to your CBDC digital wallet. You rack your brain—what could have happened? You realize the culprit was probably that Facebook post you made criticizing the government's decision to reduce fossil fuels, a move that created energy rationing throughout the country.

You panic, as you now have no way to get to your potential big customers' office, sixty miles away. If you blow this deal, your company will be in financial peril.

You are at the whim of the government, its CBDC, and its control over your day, and ultimately your livelihood.

This hypothetical scenario can easily become reality with a CBDC-enabled monetary system.

CBDCs and Individual Rights

The biggest concerns around a CBDC, particularly in the United States, relate to individual rights. A US CBDC (aka a "digital dollar") threatens

your rights and freedoms on many accounts. It would mean that a government-sanctioned entity could have complete access to everything that you do that involves a monetary transaction, and could even freeze your access to money and transactions altogether.

CBDCs threaten your privacy, as well as enable the government to tie your access to your money to behaviors. As I covered in the opening to this chapter, money incentivizes behavior. If we further centralize money, the government could weaponize it as a tool to implement more social policy and even a formal social credit system. As we have seen in many instances, the government in the US, as well as governments abroad, is not hesitating when it comes to weaponizing money.

A CBDC converges the new financial world order with social credit, backed by a tangible way to enforce it. Digital dollars could impact just about everything you do and certainly everything you own.

Imagine that the government, in its push for green initiatives, wants to reduce the consumption of beef (academics have already been suggesting that less red meat would be consistent with their agenda).[11] A digital dollar would grant them the direct capability to turn off your payments in a restaurant where you order a burger if you have exceeded your beef quota for the month (which they know, of course, because they are tracking it).

You may be inclined to say that this would never happen in the US or other developed nations. But you would have said the same thing about many government mandates and actions over the past few years before they happened.

Or what if the government wanted to stimulate the economy? They could give you currency that disappears if you don’t spend it right away, perhaps incentivizing you to shop at the businesses of cronies by only making it spendable at certain retailers. Again, this is not a stretch; China is already exploring a “use it or lose it” feature with its e-CNY digital currency.[12]

The power inherent in how a CBDC can be used is unlimited and unjust, and that is why so many people who understand what a CBDC could lead to are pushing back now before it is too late.

Of course, privacy invasions will be sold under the guise of security, as they always are. The government will say they are just trying to monitor for terrorism. Or they need to ensure that financial crimes, such as money laundering, aren’t being committed. It will be in the “public interest” for them to have access to your information—it just won’t be in your interest.

If you think that level of access, power, and control won't be weaponized, I have a few bridges to sell you as well.

The US government is consistently trying to find ways to get more and more of your financial information already, and it's not for your benefit or to help you create wealth.

In March 2021, under the American Rescue Plan, the Biden administration snuck in a tax-reporting requirement that went into effect January 1, 2022, that targets not megacorporations but hobbyists, side-giggers, and small online sellers.

This change focused on 1099-K reporting to the IRS. It used to be that reporting related to transactions via third-party settlement processors or their electronic payment facilitators (in layman's terms, e-commerce sites and marketplaces like eBay, Etsy, home rental sites, etc., and the companies that process their payments, including goods and services processed through apps like Venmo or PayPal) was only done if your activity exceeded a threshold of more than $20,000 in gross payments and more than two hundred transactions in any given year. President Biden's American Rescue Plan lowered that threshold for reporting to a mere $600.

You are always responsible for reporting any income you make to the government, regardless of the amount. However, lowering this threshold to hundreds of dollars puts additional burdens on taxpayers. Not every marketplace transaction may be taxable or a given transaction may have relevant deductions, but this reporting change creates additional IRS scrutiny for everyone from moms who resell items from around the house to kids making some extra cash from side jobs to hobbyists who frequently change the items in their collections. If you are flagged for not reporting something that you didn't need to report, the burden is still on you to prove that.

This means that, as an individual, you need to keep extensive records, from how much you paid to relevant deductible fees and expenses, much like a business would. Ultimately this rule change brings about more stress, costs, and time for middle- and working-class Americans for something that may be underreported by just a few dollars or even something that wasn't misreported at all.

In terms of money the IRS can make versus the effort and cost put into reviewing this additional information, it doesn't seem like a huge payday for the IRS. It is a substantial burden for Americans who find that the paperwork

and risk and headache of being audited for doing nothing wrong aren't worth it.

While there has been a delay in the implementation of the reporting because of its inherent complexity, the IRS certainly hasn't abandoned it.

One thing is certain: a $600 reporting threshold isn't meant for the wealthy to pay their "fair share" of taxes.

The same goes for the Inflation Reduction Act, which granted Biden's "Build Back Better" wish for an additional $80 billion for the IRS, which reportedly is going to go toward hiring 87,000 new staff, with more than half earmarked for "tax enforcement." With only somewhere in the neighborhood of 800 US billionaires, certainly 87,000 new IRS staffers won't be spending their time solely on the megawealthy.

And that's the ruse: while headlines talk about going after billionaires, the details always make it harder for you. The wealthiest will get loopholes to preserve their wealth while you will be forced to give up yours.

Also in 2021, a cadre of government officials tried to enhance bank account reporting for small-value accounts and transactions. The proposals, which received backlash and were tabled, included financial accounts that either had $600 in them at any point or completed $600 worth of transactions during the year having to report aggregate inflows and outflows to the IRS.[13] While this was not (at least at the beginning) a line-item report of every transaction, it could easily lead to that from the IRS's scrutiny.

In October 2021, Secretary of the Treasury Janet Yellen went on the *CBS Evening News with Norah O'Donnell* to say, "There's a lot of tax fraud and cheating that's going on." She then laughably said the $600 reporting requirement was not meant to invade privacy but to hold accountable . . . high-income earners, many who have opaque sources of income. Because, you know, there are so many $600 accounts held by shady multimillionaires and billionaires.[14]

The government seeks to use financial envy to sow discord and gain acceptance of laws that restrict wealth. They do this with billionaires as the carrot. But billionaires have already made their money, and they will certainly lobby for and figure out the loopholes to any new proposals. Ultimately the government will come after the middle and working classes. You guessed it—you will own nothing.

On the weaponization front, giving government access to payment information can enable activist government workers to leak your information.

If a US Supreme Court draft can be leaked, as one was in May 2022, what would stop an activist government worker from dropping some information if they had a beef with you? You can just imagine a nemesis leaking on social media that you spent money at OnlyFans, as a means to try to ruin your job or relationships.

The methods and amounts of potential abuses are endless. The bottom line is that you should be able to transact privately and anonymously in a country that protects rights and freedoms.

You will likely hear pushback from the elite CBDC activists, racketeers, and useful idiots. One possible argument is that transacting digitally (whether through online banks, credit cards, PayPal, digital wallets, or otherwise) already creates the potential for breaches of privacy. In addition to these companies not being able to send you to jail or use the information for political control and gain, the main difference lies with choice. You can choose to transact in cash. You can choose your digital payment intermediary with some level of competition. There are still many concerns related to tech companies and payments (covered more in Chapter 6), but covering a different set of issues than that of complete, centralized government control.

Again, a CBDC enables giving more power and giving up privacy to an entity that can force behaviors through control of money at the highest level.

Changing the Banking System

Another big question that needs to be addressed is how the entire banking ecosystem might be shifted with a CBDC.

The Bank Policy Institute (BPI) has identified some issues in a recent piece. For example, as noted above, banks and other financial institutions make money in discrete ways that are priced into how they do business. If those are removed, yet they remain an intermediary between the public and the Federal Reserve, how do they get compensated and by whom, and how does that shift or add costs to the system?

The BPI piece notes:

> With an intermediated model, no one has identified who would pay the intermediators . . . for services attendant to holding and transferring CBDC. Those services would include customer service, dispute resolution, AML compliance . . . fixed and variable technology expense, and more. The risk of a cyber-attack would be massive, and the intermediator, not the Fed, would likely be

> liable for any loss. So, intermediating a CBDC would be a very expensive and very risky proposition. . . . [15]
>
> Currently, banks make money on payment systems predominantly by lending out deposits and earning net interest income, but, because a CBDC held in a digital wallet cannot be lent out to borrowers, it would come with zero net interest income for a bank or other intermediator . . . companies that set up a digital wallet to hold and transfer CBDC seemingly would have to charge consumers a considerable fee for that service.[16]

What about consumer interest payments? When individuals and businesses deposit their money in the bank, they expect some level of interest for the use of their money, which comes from the bank using that money to make loans to other customers. With a Fed-held CBDC, how and from what fees would they pay interest? It is likely they wouldn't pay interest at all.

If they did not, that would be another barrier to making your money work for you and building up wealth—or even trying to partially keep pace with inflation via your deposits at financial institutions. Certainly the Federal Reserve has already disrupted this with its zero-interest rate policy for the larger part of a decade and a half. Some fintech companies also do not pay money on balances. There is a trend to not have your money work for you without a fairly substantial amount of risk, and CBDCs would add another significant layer. That trend is aligned with you owning nothing.

The Bank Policy Institute also expresses other banking concerns around the impact on credit. "The Fed's discussion paper explains that paying interest on a riskless CBDC 'could reduce the aggregate amount of deposits in the banking system, which could in turn increase bank funding expenses, and reduce credit availability or raise credit costs for households and businesses.' It also describes at length how payment of interest would disrupt monetary policy."[17]

Harvard Business Review brings up other issues, saying, "Other concerns revolve around the role of a central bank as a wholesale lender of first resort. State-controlled credit could potentially be susceptible to political pressure for sector-focused lending. Would there be formal criteria for determining which banks would qualify for central bank funding? How easy would these be to manipulate in some way?"[18]

While again, the government promises that they are not looking to remove the banks and financial institutions as intermediaries, it is critical to think ahead.

CBDCs and Cybersecurity Risks

CBDCs engender a great number of cybersecurity risks. These exist at the individual or public/retail level, the intermediary level (should there be one), and certainly at the Federal Reserve/government level.

Cybercrime cost an estimated $6 trillion in 2021.[19] Crypto itself saw $3.2 billion stolen in 2021, a sixfold increase over the previous year.[20]

We know that the US government doesn't do a great job in ensuring that fraud and theft don't take hold and that their technology in many areas substantially lags behind the private sector. Now imagine making the main currency fully digital.

The more centralized the currency, the more epic the scale of systemic risk. As currency becomes less centralized, there may be more attacks, but they are likely to be smaller in nature and unlikely to collapse an economy. Once you fully centralize the currency, as with a CBDC, you have now created "too big to fail" on a level that makes the Great Recession financial crisis look like child's play. A sophisticated hacker could theoretically bring an entire economy to a halt. As fintech entrepreneur and expert Ajay S. Mookerjee said in a recent *Harvard Business Review* piece, "Essentially, the trade-off would be between recurring but manageable breaches and highly infrequent but catastrophic ones. A central bank would definitely be too big to fail."[21]

In addition to risks related to the currency itself, you are trusting a government agency—which will be a massive target—with myriad private, sensitive data. If you already don't trust the US government with your data, one would extrapolate that you also would not want it in the hands of hostile foreign entities that might hack the government and access it. CBDCs and their associated data could compromise individual security and privacy, as well as national security.

Others have noted that quantum computing, which is currently being developed and adds exponential power to existing computing capabilities, will throw a major security wrench into all the main methods that are used today to protect data. Government will have to plan ahead for a complex emerging technology. Cybersecurity expert Amnon Samid wrote, "CBDCs are vulnerable to hacking and the powers of quantum computing. . . . Central banks must heed the warning." In a note, even the WEF warns that "quantum

computers in the future might be able to break the cryptography in the CBDC system without detection."[22]

If nations with bones to pick with the United States, either at the government level or just the individual level, want to disrupt the entire US economy, centralizing the currency through a digital dollar does nothing but exacerbate that problem. In 2021, the US saw Russian-connected cyberattacks on the Colonial Pipeline and JBS, the largest supplier of beef in the world. [23] Wouldn't the ultimate in retaliation or even just trying to get a leg up in the global economy make a CBDC system an ongoing target?

A Solution in Search of a Problem

Much like a product advertised on late-night television infomercials, for developed economies like the United States that have many private, easy-to-use payment transfer solutions, a CBDC looks much like a solution searching for a problem, as opposed to the other way around. Simply put, we don't need it.

Despite that, according to the IMF, today around one hundred countries are considering CBDCs at different stages. Some are doing exploratory research, while others are in test phases. Countries like Jamaica and Nigeria are already "circulating" CBDCs.[24] And, in October 2021, G7 finance officials assembled and endorsed thirteen principles for "for retail central bank digital currencies."[25]

So, why the big push? While the data points in most cases to cryptocurrency threatening central banks' power and central banks not wanting to be left behind, CBDCs will also play an important role in consolidating power and wealth in a new financial world order.

Even if done in phases, remember that small, seemingly innocuous shifts in a system can enable wholesale, monumental, and undesirable changes over time.

The law firm Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates (Skadden Arps) weighed in on this in a recent piece, saying, "The advent of distributed ledger technology . . . has prompted central banks around the world to assess their roles in the digital asset economy—in particular, by examining the pros and cons of offering a central bank digital currency (CBDC) to the public."[26]

The key phrase is "assess their roles in the digital economy." Governments and their central bank counterparts don't want to give up the thing that gives them the most power in the world: control over money. No doubt they will fight to keep that, and potentially be willing to do a lot of damage to keep their power intact.

Yes, the reason that central banks in countries with advanced economies seem to be pursuing this is not to solve a need, but rather for control in the new financial world order.

Despite the inherent arguments against them or even lack of need for them, CBDCs and the control they offer in terms of access and regulation are tempting for central planners.

Entrepreneur and writer Colin Brightfield echoes the point that more choice and independence are real concerns of central planners and that the central banks want a monopoly, not competition. He writes, "One concern of many governments is that cryptocurrencies offer populations a choice to opt out of the traditional financial system into decentralized finance which exists beyond the typical oversight of government regulation. CBDCs are a way for governments to offer a digital payment competitor to cryptocurrency and decentralized financial systems being built outside of most current government regulation infrastructure."[27]

Regardless of the reason, a CBDC allows those who have the intention of pushing social credit and marrying that concept to money an easy path forward. This is a path that does not bode well for your property rights.

It also allows those who may have—shall we say—"questionable" intentions to add fuel to the fire. The WEF, for example, has positioned itself to provide "guidance" to governments on CBDCs via its Digital Currency Governance Consortium and related resource center.[28]

China FOMO

As the US, at the hands of the Federal Reserve, has made many questionable choices in terms of the soundness of its currency and its economic standing worldwide, many prominent investors and entities have been suggesting that China is the United States' main competition on the global economic front.

In January 2021, asset management giant BlackRock's Investment Institute touted "a rewiring of globalization, with a bipolar U.S.-China world order at

its center."[29] Billionaire Ray Dalio has "predicted a new global order that has China ascending and the United States diminishing."[30]

While I question China's ability to be the long-term top global economic superpower, at least by choice, for a variety of reasons, ranging from "who wants to trust communists?" to the notion expressed in the Triffin Dilemma that to be a reserve currency you need to run trade deficits, among others, there is no doubt the idea of another superpower weighs on those in power positions in the US.

It is not a coincidence that the people in similar positions to the ones who enabled China's dominance—including normalizing trade relations with them, which lifted up their populace while outsourcing US jobs and creating an intellectual property (IP) infringement nightmare—and whose decisions have weakened trust in US money here and abroad, are the ones now looking to make similar mistakes by trying to beat China at the digital currency game.

So, what is the concern of these central planners?

China has been working on a CBDC launch since 2014. It's no coincidence that this aligns with the date of their major social credit road map, given the direct link between social credit and monetary control.[31] The Chinese CBDC goes by several different names, including the digital yuan, e-Renminbi (e-RMB), and the one most widely used, e-CNY.[32] The e-CNY is a work in progress. China is ahead of most developed nations in the central bank currency endeavor, but behind some smaller nations that have fully operational ones.[33]

(A quick note: The currency discussion in China can be confusing between the yuan and renminbi. While colloquially they are often used interchangeably, technically the renminbi is the broad name for the currency, while the yuan is the unit of account [what items are priced in]. This would be like the Federal Reserve notes that you use being called by their unit of account, dollars [$1, $20]. Yuan is like dollars, whereas renminbi is like Federal Reserve notes.[34])

The drive for the CBDC in China is threefold. Externally, China's currency is substantially behind other countries in its use for international payments, estimated at around 3 percent.[35] This is a tiny amount given the relative size of China's economy. However, the fact that other countries don't want to use the Chinese renminbi likely has more to do with distrust of the Chinese government as a steward of money than with concerns over its form.

The other two drivers for China's CBDC focus are domestic issues. Currently, a handful of Chinese companies have taken over digital payments in China, including Ant Group's (an affiliate of e-commerce giant Alibaba) Alipay and Tencent's WeChat Pay, which together in Q2 2020 accounted for around 95 percent of all Chinese mobile payment transactions.[36] This gives these companies enormous power in the country, not to mention access to valuable data.

Finally, the Chinese government has said that it wants to create a digital currency and platform to ensure "greater resilience in their payments ecosystem."[37] But the reality is that the government is in competition with these "private" platforms and wants neither to cede them power nor give up the opportunity to integrate social credit and their currency.

Of course, all of these drivers are about power and control in some way, shape, or form.

This digital currency is not a cryptocurrency. It is a centralized, highly controlled endeavor that may incorporate similar technology used by some cryptocurrencies.

The current choices with e-CNY for the consumer relate to the type of wallet (individual or corporate) and limits on transaction amounts (smaller transactions can be done with just a phone number, while larger ones require more associated identification data). From a user-interface perspective, the wallets can be traditional app-based digital wallets, or users can choose a card format (like a credit card).[38] In terms of providers, the e-CNY wallet can be accessed via an app or can use "private" intermediaries that are already widely accessed, like Alipay and WeChat Pay/Tenpay, or one of the other authorized banks, like Bank of China, Bank of Communications, or a half dozen others.[39]

The challenges for the Chinese in rolling out the CBDC are twofold. On the technology side, they are behind. The number of transactions per second at the time of writing that this new currency platform could handle has substantially lagged that of "private" digital payment systems like Alipay, as well as those of other test digital payment systems in progress.[40]

Second, on the user side, nobody wants to use it. While the CCP touted in October 2021 that 261 million digital wallets have been opened up to support the e-CNY, upon scrutiny of the data, researchers found that the average balance held in these wallets was around RMB 3 for individuals,

less than the equivalent of US 50 cents, and the average balance in corporate wallets was about US$4.90.[41]

As for the attempt to get more foreign payments, there was a big push during the Beijing Winter Olympics in 2022. The adoption numbers doubled ahead of the Games, as the e-CNY and Visa, an official Olympics sponsor, were the only accepted forms of payment. Visa won gold in that battle, according to the *Wall Street Journal*.[42] Mu Changchun, the People's Bank of China's digital currency research institute head, said, without providing a specific breakdown, that it "seems all the foreign users are using hardware wallets."[43] Other reports said that most foreign visitors used cash or Visa.

Bank Policy Institute posited that the potential for surveillance issues would drive any foreign visitor using the e-CNY to "convert their digital yuan back to their local currency at the earliest possible moment, lest their transactions be tracked by the Ministry of State Security."[44]

This means that the Chinese government may be compelled to force the use of it. A report in Bloomberg said that the Chinese government "has already started taking steps to assert more control over the data gathered by financial and tech companies, including Ant and Tencent." Also in that piece, consultant Zennon Kapron said of the lackluster early rollout, "At the end of the day, I think it's going to have to be the government saying: 'You have to use this.'"

There is no doubt that the Chinese will continue to push their centrally planned and controlled digital currency. It will be a conduit to marry surveillance and control through the combination of social credit and e-CNY. Communists don't believe in property rights, so this plan fits in with the enslavement of the people by moving them further away from anything that resembles ownership without CCP approval.

Despite all this, the prospect of being behind China in the financial realm is a material part of what is luring lawmakers, Fed officials, and other politicians and elite to follow suit with Central Bank Digital Currencies. And those who see the Chinese road map as a tool for control in a new financial world order will leverage that desire to ensure it comes to fruition if Americans don't vehemently oppose it.

Power Is the Purpose

Given the United States' robust private payment system, why would consumers or financial institutions need anything that looks like a CBDC?

Dante Disparte, chief strategy officer and head of global policy at Circle, a digital financial services firm and architect of USDC, a dollar-pegged digital currency, agreed that the need for a CBDC in the US wasn't there, saying that arguments for it "miss the larger point, which is that by today's hypercompetitive digital currency and blockchain standards, the U.S. may not be a laggard at all, but rather is already winning the race for the future of money and payments."[45]

He continues: "In trying to 'out-China China' on these important issues, we miss that the future of money and payments should be about enhancing domestic financial optionality. Upgrading payment and banking systems, enhancing interoperability and open banking standards, requires a major upgrade in the technology stack that supports value transfer and more open financial services innovation."[46]

Given what we know about where China stands on a CBDC and the lack of interest from their citizens and noncitizens in using it, that should be a red light for the US, not a green light.

Skadden Arps, the law firm cited above, agrees, saying, "In the U.S., there is a fundamental question of whether a general-purpose CBDC is needed, given the variety of private electronic payment options available within the existing payment system, including online bill payments through banks and payment methods such as PayPal, Zelle, and Venmo. They already offer speed and accessibility and are low cost."

Writer Derek Andersen broke down key takeaways from a podcast interview on *Banking with Interest* with Randal Quarles, former vice chair of the Fed, writing, "a close analysis of CBDCs would show that their advantages are 'extremely marginal, if they exist at all.' He did not see the potential for CBDCs in promoting financial inclusion, commenting: 'You're going to need an account at the bank, the way you need to use money now, and in addition . . . a cellphone and wireless access, and all that is making inclusion harder.'" The piece added, "Using a CBDC to exclude the role of the bank would be 'pathological.'"[47]

In that interview, Quarles also worried that the fear of missing out, aka FOMO, and pressure to keep up with China were driving a decision that otherwise lacked a lot of sense. The piece continued, "'we tend to win' when U.S. private sector innovation competes with state-run entities," and Quarles

thought that a US CBDC could thwart innovation, saying, “Why are you going to invest a whole lot of effort to developing a . . . stablecoin payment system if the Fed is just going to bigfoot you out of existence?”[48]

The reality, as I noted previously, is that particularly where fiat currency is concerned, the form factor doesn’t matter; the faith in what backs the currency matters. Federal Reserve chairman Jerome Powell concurred, saying the dollar has global reserve status “because of our rule of law; our democratic institutions, which are the best in the world; our economy; our industrious people; all the things that make the United States the United States.”[49] I would add to the top of that list a well-funded and powerful military (a notion to which BPI also agreed in its piece).

There are real threats to the dollar’s reserve currency status, all of which have to do with the Fed and the US government. The Bank Policy Institute’s case against a US CBDC posited, “While highly unlikely to supersede these considerable benefits, there are a few current threats to the dollar’s status: (1) $30 trillion in government debt; (2) persistently high inflation; and (3) over-leveraging of the dollar in economic sanctions. The first two phenomena have been the death of other reserve currencies in the past. . . . Converting commercial bank money to CBDC would not reduce the federal deficit.”[50]

Coming to a Digital Wallet Near You

Several Federal Reserve officials have made statements that lend credence to the idea that a CBDC is unnecessary. Fed chair Powell has talked about the strength of the US payments system. Fed governor Christopher Waller said in a virtual speech for the American Enterprise Institute, “After careful consideration, I am not convinced as of yet that a CBDC would solve any existing problem that is not being addressed more promptly and efficiently by other initiatives.”[51]

However, the Federal Reserve continues to evaluate a CBDC. It asked for public comments in 2022 and closed that commenting period in the spring of that year.[52]

Several officials, including Powell and Vice Chair Lael Brainard, have reiterated that they are not considering at this time a retail CBDC. However, an April 2022 paper from the Federal Reserve called “Retail CBDC and

U.S. Monetary Policy. Implementation: A Stylized Balance Sheet Analysis" seems to suggest that it is not as off the table as some Fed officials have indicated.[53]

Several legal scholars and firms, including Skadden Arps, have noted that a retail CBDC would require congressional action. But given the political power that comes from a CBDC and the actions of Congress over decades, that doesn't seem to be a huge barrier. Plus, with recent woes in the cryptocurrency industry, lawmakers may try to slide approval into a broader crypto regulation bill.

Skadden Arps also noted that a retail CBDC made little sense, saying it is "highly unlikely that we will see a retail CBDC in the U.S. in the next few years."[54]

I ask you to focus on the words "in the next few years" because that is the issue. A few years go by quickly. Once any type of CBDC is set in motion, even if it wasn't intended to go retail from the start, with the new financial world order and the prototype in China, it's too great a risk to bear. Think of all the temporary or small government programs that have been extended.

As noted, in October 2022, finance officials from the US and the other G7 countries put out a set of thirteen policy principles for retail CBDCs. That means that retail CBDCs are closer and a more coordinated effort than has previously been communicated.[55]

The Federal Reserve has been happy to destroy your wealth to hold on to and expand its power. The CBDC is a next-level tool in its power grab.

Own Your Money, Own You

Most of the benefits of a digital dollar seem to have counter-costs that greatly outweigh them. The soundness of money doesn't come from its format; it comes from policy and treating the stability of money with intention and respect. The latter, not the former, is where we have the issues.

Moreover, how can we expect that the same people who didn't see historic inflation coming and the impacts of their ginormous money-printing efforts would be able to identify all of the risks of a digital currency? These are the same people who have consistently debased the dollar; now they want to be entrusted with more centralized control over the monetary system.

The CBDC plays a key role in the future devolution of property rights. We saw rights infringements like vaccines and vax passports become a gateway to digital IDs and the foundations of social credit. A CBDC gives the government a mechanism for enforcement, and the one enforcing it is an entity that has done nothing but steal money from the American people.

They say they are trying to protect us, but we need protection from them.

Transacting freely and privately is critical in maintaining property rights and wealth creation. Any movement against that moves you closer to owning nothing.

Chapter 6

The Technocracy and Digital Rights

In a Digital World, You Are the Product

We shape our tools and, thereafter, our tools shape us.

—John Culkin

Imagine saving up for a luxury car—perhaps it is your first? You decide to go for a BMW. The car is all decked out with amazing gadgets and capabilities. Some are newer features, and others have been around forever. Then the salesman at the dealership asks you if you would like a subscription for heated seats.

You are entirely confused. A subscription? You ask if the car comes with heated seats, as many cars have for decades.

The salesman says that while the hardware to heat the seats is installed, you can't turn the seats on without your subscription. But, good news, it only costs $18 a month! Or you can opt for a yearlong or multiyear subscription.

"That's insane!" you think to yourself. "I am paying for a car that has a heated seat mechanism in it. I own this. Why do I have to pay for the ability to use it? And what if I sell the car—the next person has to then pay? If I own the car for ten years, that's more than $2,000 worth of additional, ongoing expense to heat the seats that I own!"

This may sound ridiculous, but it is happening right now in South Korea, where BMW is offering different subscription products, some of which can be added via an app.[1] One would imagine it won't be too long before this happens in America, too.

While the government may be trying to keep you from ownership in a variety of ways, technology firms and applications are ensuring your lack of

ownership with subscription models, making you a lifetime renter. This is what the WEF predictions meant when they talked about products being turned into services.

You will own nothing, and the tech firms will collect a fee and get richer.

This is just the beginning. The impact of technology on every aspect of our lives is shaping up for rule by an unelected, powerful set of companies that have no constitution or checks and balances on their power, yet wield increasing power and control over just about everything you do.

The Technocracy

In the past, when someone said "technocracy" they were likely referring to political governance by domain experts, often in technology-adjacent arenas, such as science and engineering. As Investopedia says, "A technocracy is a model of governance wherein decision-makers are chosen for office based on their technical expertise and background. A technocracy differs from a traditional democracy in that individuals selected to a leadership role are chosen through a process that emphasizes their relevant skills and proven performance."[2]

Technocrats are not only chosen because of their supposed domain expertise, but also are often appointed by those in power to fulfill agendas.

Because these technocrats are often nonelected and make specific domain decisions, technocracy is often associated with various forms of central planning.

As the new financial world order takes shape, a new kind of technocracy has also emerged. This is one where technology firms have become so powerful and entrenched in our lives that they have overtaken large parts of traditional governing to become shadow or alternate governments themselves.

They may be structured as private entities, but singularly, and certainly together, they represent a threat to your freedoms, privacy, and agency, with a terms-of-service agreement replacing any sort of normal moral code or constitution.

Big Tech is centralized power with the illusion of choice (in some ways similar to the illusion of choice we have related to government today). I say illusion because there isn't much in the way of competition for you to make opt-in decisions. And, whether you opt out by choice or are forced out, you

may have few options regarding where you can turn to participate in society in a meaningful or free manner.

This is the new technocracy—ruled by Big Tech—a powerful component of the new financial world order. If left in its current form, it will destroy your rights, including your property rights.

Digital Gatekeepers

Thinking about the rights you have that are supposed to be protected by the government, whether it be free speech, the right to assemble and protest, property rights, a justice process, or otherwise, none of that is present with the technocracy.

Big Tech companies, which provide platforms that are creeping into almost everything you do, have their own set of rules that they can enact at any time, at their discretion, in basically any manner of their choosing. In a free market environment with ample competition, this wouldn't be such an issue. But when large swaths of your activity are tied to just a handful of major platforms with few alternatives, we have moved away from a free market.

Moreover, when there's no path to redemption, once you are kicked off a platform or banned from a service, there's no reentry point to that part of society.

Big Tech has the ability to censor speech, making themselves the sole or final arbiters of what information and behaviors are good and right, regardless of whether their decisions have merit. In addition to setting their own rules about what is acceptable and what isn't, they have taken to monitoring misinformation on their own behalf and on behalf of other powerful entities, including the US government. Moreover, they often censor speech that is proven true, decline to censor speech that is proven false, and push narratives that often turn out to be false, at least in part.

The execution of their speech censorship is dangerous—and ridiculous. In the summer of 2022, amid gas prices that exceeded $5 per gallon on average nationally, I shared a meme on Instagram. It was a photo still of Michael Douglas in his iconic role as defense contractor William Foster, or "D-FENS," in the 1993 film *Falling Down* (a must-watch movie if you haven't seen it). In the film, during a series of "having a bad day" issues, Douglas's character has a meltdown in a fast food restaurant. He orders

breakfast, but they won't serve it to him, since they switch to the lunch menu at 11:30 a.m., and it was a couple of minutes after that. The meme showed a still of his face during this exchange with the following words plastered over the image: "That look on your face when someone tells you gas went from $2.00 to $5.00 in a year because the economy is doing better."

The meme was poking fun at the gaslighting by those trying to spin the state of the 2022 economy as "the best ever!" among very serious economic issues. This is pretty straightforward humor that everybody understands.

Except for Instagram. They slapped a misinformation label on the meme post, saying it was "Missing Context" and "The same information was reviewed by independent fact-checkers in another post."

What? They were fact-checking a joke meme? You have to be kidding me!

Nope. Not only was I warned that I could lose my account for misinformation (of which there was none), but the attributed fact check made no sense, either. It was fact-checked by a group called "Lead Stories," and it said, "Gas prices did NOT reach national average of $1.87 per gallon in February 2021."[3] Again . . . huh? That had nothing to do with anything, yet I was getting a social black mark.

Of course, I left it up. People thought it was hilarious and that the fact check was bizarre. So, in a matter of days, after it had received a ton of interactions, Instagram suggested that I use advertising dollars to promote this post labeled by them as "misinformation" on their site so it could reach a wider audience. (Yes, you can facepalm now.)[4]

The issue comes down to wrongthink, narratives, and control. If tech companies find your speech not aligned with their preferred narrative, for whatever reason, they, in their sole discretion, can boot you from their platforms. YouTube (owned by Alphabet/Google), Facebook and Instagram (both owned by Meta), Twitter, and other platforms have permanently banned high-profile politicians, doctors, and scientists for engaging in wrongthink, as well as countless random individuals, without a path to get back on.

Given the financial heft of Big Tech and the stickiness of their platform models (such as you building a following), it's hard for other platforms to compete, and it is costly, in dollars, time, and effort, for you to start somewhere else—if such an option even exists.

If you break the law in the real world, you may be required to serve time or have another penalty before your life normalizes. This is not meant to

downplay the fact that former felons often have a hard time reentering society, but in the tech world you can break a term of service that is very vague and doesn't violate anyone's rights and still not have any chance to come back on the platform for the rest of your natural life.

The penalties for any perception of breaking terms of service have no path to redemption.

Further, it's another tie into a form of social credit with specific consequences. Not only does it impact your speech, but also potentially your livelihood, relationships, access to information, and the general ability to participate in society with millions of other people.

A few people have fought back successfully. Journalist Alex Berenson, who was critical about Covid responses, vaccines, and other information, had a nearly eleven-month "permanent ban" from Twitter. He sued the company, ultimately reaching a settlement. As he wrote on his Substack, "The parties have come to a mutually acceptable resolution. I have been reinstated. Twitter has acknowledged that my tweets should have not led to my suspension at that time."[5]

Not everyone has been successful. Prior to Elon Musk's purchase of Twitter, even the former president of the United States was banned from the platform.

It's not just speech that is at risk. A few Big Tech players have the only mobile operating systems that power your ability to communicate (two players, Alphabet's Android and Apple's iOS, account for more than 99 percent of the market).[6] A few Big Tech players control the major servers that allow you to conduct commerce. Slightly more, but still a relatively small number of players, control your ability to access money, and send and receive payments. As you invest your time in various platforms, you aren't granted property rights or ownership—you are merely engaging in a license or subscription.

Technology companies are becoming elite gatekeepers and shadow governments in a digitally enabled and digitally immersed world.

And they have a lot of control and power. The market capitalizations of Microsoft and Apple were in recent years larger than the GDPs of Italy and Canada. Facebook has two times more monthly active users than the population of China.[7]

If you think about your rights, particularly if you are an American, you can see where technology does nothing to protect them and, frankly,

compromises them.

Censorship impacts the right to independent thought and self-expression. The lack of any rigorous adjudication process compromises you and everyone else being treated equally or fairly, or even having a path to redemption or recourse for any indiscretions, real or perceived. Such indiscretions are not tied to violating others' natural rights.

Privacy is compromised. Free will and choice are compromised. Socialization and relationships are compromised. Property rights, whether they be the ability to own and protect your property or to keep it from unlawful search or seizure, are compromised—as often what you think of as your property, in reality you don't own: you license or subscribe to it.

All of this impacts your rights to pursue life, liberty, happiness, and wealth.

Tech Creep

There's no doubt that technology has enabled many improvements in our standard of living and often made our lives better. It has democratized access to information and tools for people around the globe. But the geeks and nerds who have given us positive transformative tools have also bestowed upon us many tools of destruction, whether they be nuclear, biological, or other weapons.

Perhaps less obvious, in recent decades technology has also produced tools, and people wielding such tools, that are destroying individual freedoms, forcing us as individuals to give up our rights, our sovereignty, our agency, our privacy, and our wealth. They are also enabling a new era of cyber warfare.

Of course, a lot of this fits our good-ideas-to-bad-outcomes model. Ideas start out nobly, but as money is to be made and power is to be consolidated, what starts as innovation can become a tool of destruction.

So, what enabled this shift that has allowed technology to be so dominant and, ultimately, so potentially destructive? The answer is the most recent digital revolution, often known as the Third Industrial Revolution, with the power of the World Wide Web.

Techopedia describes the Third Industrial Revolution as "the advancement of technology from analog electronic and mechanical devices to the digital technology available today. The era started to [*sic*] during the

1980s and is ongoing. The Digital Revolution also marks the beginning of the Information Era."[8]

This massive change in how technology works enabled full-scale changes in human behavior and made a different set of companies powerful and treated as indispensable.

If you look back to see which companies dominated our landscape as we headed into the year 2000, aka Y2K, it was not technology. In 1997, for example, the Dow Jones Industrial Average had just a handful of tech companies, including Hewlett-Packard and IBM.

But, in the last fifteen years, technology has become pervasive, powerful, and megacapitalized.

In 2007, only one technology company, Microsoft, was among the ten largest companies around the globe.[9] At the time of writing, five of the top ten companies, by market cap, in the world were technology companies (the figure was six earlier in 2022, but Meta's own issues dropped its market cap, moving it from the #9 spot to #26), with many more of the top one hundred solidifying their place by being technology companies or tech-enabled. Four tech companies had market capitalizations of more than a trillion dollars, even after a tech rout in the stock market over the preceding months.

Coincidentally or not, five of the top ten are also listed as partners of the World Economic Forum at the time of writing.[10]

Tech companies have become massive, which has granted them great power. As the *New York Times* noted in 2021, "The 10 largest tech firms, which have become gatekeepers in commerce, finance, entertainment and communications, now have a combined market capitalization of more than $10 trillion. In gross domestic product terms, that would rank them as the world's third-largest economy."[11]

Dow Jones Industrial Average as of March 17, 1997

AlliedSignal Incorporated	Exxon Corporation	Merck & Co., Inc.
Aluminum Company of America	General Electric Company	Minnesota Mining & Manufacturing Company (3M)

American Express Company	General Motors Corporation	Philip Morris Companies Inc.
AT&T Corporation	Goodyear Tire and Rubber Company	Procter & Gamble Co.
The Boeing Company	Hewlett-Packard Company*	Sears Roebuck & Company
Caterpillar Inc.	International Business Machines Corporation	Travelers Inc.*
Chevron Corporation	International Paper Company	Union Carbide Corporation
The Coca-Cola Company	Johnson & Johnson*	United Technologies Corporation
E. I. du Pont de Nemours & Company	J.P. Morgan & Company	Wal-Mart Stores, Inc.*
Eastman Kodak Company	McDonald's Corporation	The Walt Disney Company

*Company added to DJIA

Source: "The Ins and Outs of the Dow Jones Industrial Average," *Wall Street Journal*, January 25, 2017, https://www.wsj.com/graphics/djia-components-history/; "Historical Components of the Dow Jones Industrial Average" for March 17, 1997, Wikipedia, https://en.wikipedia.org/wiki/Historical_components_of_the_Dow_Jones_Industrial_Average.

The World's Largest Companies by Market Capitalization, End of October 2022

Rank	Name	Market Cap	Country
1	Apple	$2.5 trillion	US
2	Saudi Aramco	$2.0 trillion	Saudi Arabia

3	Microsoft	$1.8 trillion	US
4	Google	$1.3 trillion	US
5	Amazon	$1.0 trillion	US
6	Tesla	$711 billion	US
7	Berkshire Hathaway	$661 billion	US
8	UnitedHealth	$516 billion	US
9	Exxon Mobil	$461 billion	US
10	Johnson & Johnson	$460 billion	US

Source: CompaniesMarketCap.com, https://companiesmarketcap.com/.

These companies are so large and have so much capital that they dominate the landscape. They have created deep moats around their businesses, and they keep purchasing competitors and businesses in new verticals. For example, Amazon, which morphed from bookseller to seller of everything, has scaled its Amazon Web Services (AWS) server business to be a critical part of the web's infrastructure, and has an AI assistant named "Alexa" that has infiltrated homes around the world, but decided that wasn't enough. Amazon has also been on a buying spree in all kinds of industries. They have purchased Whole Foods (groceries), Zappos (e-commerce), MGM (film studio and production company), Twitch (livestreaming), Zoox (autonomous driving), Ring (home/on-location security and in-home technology), Kiva Systems (robotic fulfillment), PillPack (online pharmacy), and One Medical (primary care), as well as more than one hundred other businesses.[12]

That's clearly the blueprint of a company that wants to be entrenched in every facet of your life.

The scale and pervasiveness of these Big Tech firms have impacts on competition, choice, rent-seeking, and your rights. Writer Farhad Manjoo discussed this evolution with NPR. He first discussed how in today's consolidated tech world "there's now kind of a ceiling on how successful your idea can be, and the ceiling is kind of determined by these five companies," and how those handful of companies win when others win. He continues:

> [A]ll app makers have to put their apps in the Apple app store or the Google app store. And when they sell in those apps, 30 percent of that money goes to Apple or Google. They all have to advertise on Facebook or Google to get customers . . . And so any new app—Uber, Airbnb, Netflix, all the other sort of smaller companies online—have to go through these five to get to their customers. And what ends up happening is that other companies succeed, but always these five benefit off of that success.[13]

With their power, during this Third Industrial Revolution, technology companies have given you very sticky tools and, in doing so, entrenched them in your everyday life. Email. Social media. Online payments. Content. Business infrastructure. Even the way you now license instead of buy and own music is a shift.

And from all of this, what do you own? If your email provider wanted to shut down your email communication, what could you do about it? You own a cell phone's hardware, but not the mechanism to make it operate.

In 2022, we watched real-time as the US government asked Apple and Alphabet to shut down Apple Pay and Google Pay in Russia.

It's pretty hard for you to operate as a modern human without interacting with some or all of these companies or their limited competitors.

They are owning more and, in the process, you are owning less. They are generating more control over you, and you have few options and little recourse.

Writer Edwin Black has commented on this technology creep, which even predates the most recent tech takeover. He said, "Mankind barely noticed when the concept of massively organized information quietly emerged to become a means of social control, a weapon of war, and a roadmap for group destruction." In another observation, he said, "Not only can I count you as a member of the crowd, but I can individualize the information I have about you—where you live, what your profession is, and where your bank accounts are."[14]

The pace of their takeover is a fast one, with tech adoption and scalability at exponential rates of technology of yesteryear. It took sixty-eight years for the airlines to be adopted by 50 million users. It was sixty-two years for cars. Cell phones took twelve years. Twitter took two years. The Pokémon Go game took nineteen days.

With that scalability and their fortified balance sheets, these Big Tech firms are marching us toward dystopian realities where Big Brother may in fact be Big Tech.

Big Tech and the De Facto Government

Today Big Tech is incredibly powerful, and in many ways these companies resemble a shadow government.

Many of the big technology companies boast more users than we have citizens of the United States. The businesses are well capitalized, with solid balance sheets and more productive capacity than the US government. They are able to control the flow of information. They have access to myriad personal data and insights and can access them more elegantly than many government agencies. In some cases, Big Tech controls the servers and software used widely by the government, charged with serving up data from the mundane to the top secret.

Should the government need tools and technologies to further control the public, there's no doubt they will be turning to these tech behemoths rather than trying to develop that capability internally.

As an article in the *Conversation* put it, "Already today, the private sector is deploying cutting-edge technology as soon as practicable while the public sector struggles to implement turn-of-the-century solutions to seemingly straightforward tasks. . . . The private sector's capacity and ability to work with IT is already higher than the government's. As salaries and opportunities continue to draw talent to the private sector, we'll likely see a corresponding increase in the capability gap between the two." They further said that we have an "industrial age government" and an "information age world."[15]

The only thing these Big Tech companies seem to be missing is a military (although I am keeping an eye on Tesla's AI robots and what those could be programmed to do). Also, the wars of the future may be largely cyberwars, putting Big Tech and their experts squarely on the digital battlefield.

A group of writers published in the British magazine the *Tribune* noted the emerging parallels between Big Tech and the big state, saying, "A handful of Big Tech corporations now wield more power than most national governments. . . . Today, a handful of Big Tech monopolies form the infrastructural core of an ever-expanding tech universe, operating as obligatory digital interfaces for social exchange—colonising professional life and private consumption, monopolising flows of information and communication."[16]

Tech has taken over more of our infrastructure. Amazon has become a competitor to the US Postal Service. Uber and Lyft have displaced public transportation for some people. And the rights and freedoms that government is supposed to uphold have a digital barrier between them.

The *Conversation* noted how government competition now comes from technology instead of other states: "The challenge for constitutional democracies no longer comes from state authorities. Rather, the biggest concerns come from formally private entities but which control things traditionally governed by public authorities—without any safeguards. The capacity of tech firms to set and enforce rights and freedoms on a global scale is an expression of their growing power over the public."[17]

With this Big Tech takeover, the Constitution is supplanted by terms of service. From the *Conversation*: "For example, when Facebook or Google moderate online content, they are making decisions on freedom of expression and other individual rights or public interest based on private standards that do not necessarily reflect constitutional safeguards. And these decisions are enforced directly by the company, not a court."[18]

Because government overreach has become so pervasive, and politicians are often not the sharpest crayons in the box, individuals are preferring rule-by-tech to rule-by-unsharp-crayons.

In Europe, a poll by researchers at the IE Center for the Governance of Change found that the majority of respondents would prefer to replace government with technology, specifically AI. As was reported by the Next Web, respondents preferred getting rid of politicians and replacing them with algorithms.[19]

However, trading one type of tyranny for another isn't a great option, either. It's likely some individuals haven't recognized the full potential implications yet.

As tech companies are morphing into something that resembles the state, some state entities are taking notice. In China, as we discussed in Chapter 5, more Chinese citizens are using private digital wallets than government-issued digital wallets and digital currency. As these types of challenges occur, the CCP has been cutting down the power of the tech companies and their executives as they start to take on too much of it.

In April 2021, the *New York Times* reported that "China fined the internet giant Alibaba a record $2.8 billion this month for anticompetitive practices,

ordered an overhaul of its sister financial company and warned other technology firms to obey Beijing's rules."[20]

It's not just the Chinese. In Europe, according to the *Times*, "the European Commission plans to unveil far-reaching regulations to limit technologies powered by artificial intelligence."[21]

The *Times* also reported, "Around the world, governments are moving simultaneously to limit the power of tech companies with an urgency and breadth that no single industry had experienced before." They note that reasons vary by country, from threats to competition to privacy concerns to wanting political control.[22]

This all stems from technology challenging government. According to *MIT Technology Review*,

> Technology companies have taken many aspects of tech governance from democratically elected leaders. . . . There's a long list of ways in which technology companies govern our lives without much regulation. In areas from building critical infrastructure and defending it—or even producing offensive cyber tools—to designing artificial intelligence systems and government databases, decisions made in the interests of business set norms and standards for billions of people. [23]

The piece continues to discuss companies usurping government roles and creating "products that affect fundamental rights," citing examples that invade privacy, "often without consent."[24]

It is easy to draw some parallels between the technocracy's and the Chinese Communist Party's way of "doing business." The CCP does not believe in individual rights, and with that, it means it does not believe in property rights.

For example, in China nobody owns land other than the government. The government then leases it out to individuals and developers via leases that range in duration from twenty to seventy years. This gives an illusion of ownership (we can perhaps draw a similar line to US property taxes, but with nuanced distinctions).

At any rate, getting people used to the benefits of leasing and comfortable with non-ownership is telling, like the tech companies have done with their products and the CCP has with their land leases rather than deeds.[25]

Like with the CCP, Big Tech is not bound by the protection of our rights. As the *MIT Technology Review* piece says, "decisions that companies make about digital systems may not adhere to essential democratic principles such as freedom of choice, fair competition, nondiscrimination, justice, and

accountability. Unintended consequences . . . could create serious risks for public safety and national security. And power that is not subject to systematic checks and balances is at odds with the founding principles of most democracies."[26]

Big Tech is already limiting rights and has few constraints to keep them from doing more damage. They, as private entities, are unchecked in many ways, even when their purview surpasses that of a traditional business entity.

The Culprits

Technology companies emerging from the Third Industrial Revolution—and headed into the Fourth Industrial Revolution—are different than the companies of yesteryear. There has never been a time when companies had so much information about you, were so entrenched in your daily routine, and had the scale and capital of Big Tech today.

When it comes to the information you see, Google has a ton of control over that. Sure, there are a few other options. Bing, owned by fellow tech behemoth Microsoft, and DuckDuckGo don't give you much choice in finding what you are looking for, and of course their algorithms pick what is most relevant in an ever-changing and opaque manner. The same goes for Google's sister company, YouTube, owned by Google's parent company, Alphabet.

Of course, if you are an individual or business trying to get found, you also have to pay Alphabet in some way to improve your chances. Whether this is done directly via advertising or from spending the right amount of time or indirect dollars to improve your ranking, the information flow is heavily controlled by Google's search engine.

Other types of information are also controlled by the main social media platforms, including Facebook, Twitter, Instagram, and, for video, YouTube and TikTok (the latter has been widely reported to be a Chinese data-harvesting and surveillance tool).[27]

If you have a business, particularly a small business, you may be paying a toll to advertise on Google or Facebook so your business can be found. You may also be paying Amazon, Microsoft, or a competitor to host your website. Or maybe you are hosting your business on a bigger marketplace site, like Amazon, Shopify, or Etsy. While they don't own your business, the arrangement seems to resemble a protection racket, as you don't make money without them collecting fees.

You can keep your accounts with Google, Meta, Shopify, etc., as long as you are a good person, whatever that means and according to whomever in Big Tech's ranks (or the ranks of their cronies) decides. There have been many people who have found themselves stripped of access from various sites, many times for perceived infringements (or bad social credit, perhaps?) that didn't even occur on their own site. Sometimes it even comes without an explanation at all.

For example, journalist Ian Miles Cheong said that his account had been permanently banned from PayPal without an explicit reason and that he couldn't withdraw the money he had in the account for 180 days.[28]

In response, venture capitalist David Sacks said, "This banning could be non-political but I don't trust that to be the case given PayPal's recent history. Big Tech companies should be required to provide reasons when they deplatform users and there should be grounds for appeal."[29]

PayPal came under fire in October 2022 for what, ironically, they said was "misinformation" about a misinformation policy—one that was reported to fine PayPal users up to $2,500 for sharing information they deemed incorrect. They quickly said the release was an error and that it wasn't a policy, but many users weren't buying it and some took to deleting their accounts.[30]

On top of all this, you must consider privacy and information. While I was doing my research for this book, I couldn't pay to see certain articles without handing over my email address. All kinds of tech sites have several of my email addresses. Almost all of them have had some kind of hack or breach that has subjected my personal information to people I don't want to have it. This has caused me to waste a bunch of time with a flood of spam in my email boxes, as well as have to contend with fixing things like stolen credit card data from my privacy being breached by third parties. Of course, there was no compensation for this on my end and no real penalty on theirs.

On sites like Twitter and Facebook, I had to put forth personal information to be verified as an "important internet person"—again, whatever that means at their discretion. Some people have been denied such verification, even though they have a larger public footprint than others who have received verification because the guidelines are loose and discretionary. Of course, it was my choice to become verified, but not doing so would impact my livelihood as I seek to promote my work and content.

Paying and receiving payment also walks you into a web of well-connected companies (literally and figuratively). PayPal requires bank account and other information; Apple Pay links to your Apple account. Of course, should you be deemed socially unacceptable, then a payment provider may no longer welcome your business, and that word gets around quickly. So much so that you may have a hard time finding a payment option that is widely used by your potential customers, impacting your livelihood.

As noted, the government had Apple and Alphabet shut down payment system access in Russia. I will note that Apple has otherwise been generally good on privacy (such as refusing an FBI request to unlock a suspect's iPhone), but that's based on current management and personnel.[31] What's to stop them from changing course in the future? You may say choice and competition, but they are one of two mobile operating systems used by 99 percent of the planet, and the other is owned by Alphabet.

You may say, well, that's capitalism, but it isn't. Private business doesn't equal capitalism. Capitalism has competition and choice. Big Tech has become an "everything cartel," and you seemingly run into them at every turn of your life.

Payment systems are also at the center of collecting more invasive personal information. Some companies are looking at using all sorts of biometrics to allow you to pay (or access other technology). Apple has used a fingerprint, Amazon has used a palm reader (a technical reader, not one of the Psychic Friends Network variety), and Mastercard has piloted facial recognition.[32] They will, of course, say it's for safety and to keep fraud at bay, but at what ultimate costs to you and your rights?

As Big Tech has taken over, what rights do you have? We know that most people don't read user agreements before signing up to use technology. Even if you did, should you decline to agree to those terms, then what? You certainly aren't entitled to any specific technology, but when it becomes the infrastructure that runs society, it would be like keeping you off the roads, or not allowing you to have a TV connection, phone line, or bank account. None of this is for breaching someone else's rights or for nonpayment of services; it's for breaching the desires of Big Tech.

Think about telephone service historically. Not only did phone carriers not just randomly decide to stop doing business with people, there existed a legal requirement that carriers provide services. The Communications Act of 1934 guaranteed phone service for all and even required providers to serve

any customer requested, even when they were in a location where it wasn't profitable to do so. This "provider of last resort status" meant that carriers could not discriminate or refuse service—certainly not for what someone said over the phone lines or because they were a person they didn't like or agree with on one or a variety of topics.[33]

This legislation became unnecessary when there were other phone communications options, but the idea was that where there wasn't competition, and communications infrastructure was concentrated in the hands of a few, the companies couldn't use their heft to discriminate in providing services.

A lack of access to service providers and their platforms is just the tip of the iceberg when it comes to tech and rights issues.

If It's Free, You Are the Product

We all know that we may invest in our social media accounts. Many of us create content that is shared by others on the platform, who then may consume, curate, comment on, or reshare that content. Doing so brings great value to these platforms, which are worth tens of billions of dollars or more on the back of our investments of time and effort.

As the saying goes, if the product or service is free, you are the product. Sometimes, that's the case even when you pay for products and services!

Our investment, though, doesn't lead to us owning our account. We can't take the followers we earn with us to another platform or directly communicate with them outside the platform at scale. We are subject to having the account seized from us for violating rules or terms of service, pretty much at the company's sole discretion. Whatever a tech company deems is against the rules (and it is very easy for them to deem thus), they can seize and appropriate the value you have created—for yourself and them—with no recourse and no compensation.

What about the content you create? Do you own that?

Twitter is my favorite social platform to participate in and one where I have created and curated tens of thousands of pieces of content, so I decided to check their terms of service. The Twitter User Agreement as of June 10, 2022 (pre–Elon Musk's takeover) included the following:

> You retain your rights to any Content you submit, post or display on or through the Services. What's yours is yours—you own your Content (and your incorporated audio, photos and videos are considered part of the Content).[34]

Okay, that sounds good. At least they are acknowledging you own your content. However, the very next paragraph contained the "catch."

> By submitting, posting or displaying Content on or through the Services, you grant us a worldwide, non-exclusive, royalty-free license (with the right to sublicense) to use, copy, reproduce, process, adapt, modify, publish, transmit, display and distribute such Content in any and all media or distribution methods now known or later developed (for clarity, these rights include, for example, curating, transforming, and translating). This license authorizes us to make your Content available to the rest of the world and to let others do the same. You agree that this license includes the right for Twitter to provide, promote, and improve the Services and to make Content submitted to or through the Services available to other companies, organizations or individuals for the syndication, broadcast, distribution, Retweet, promotion or publication of such Content on other media and services, subject to our terms and conditions for such Content use. Such additional uses by Twitter, or other companies, organizations or individuals, is made with no compensation paid to you with respect to the Content that you submit, post, transmit or otherwise make available through the Services as the use of the Services by you is hereby agreed as being sufficient compensation for the Content and grant of rights herein.[35]

To break some key pieces down for those of you who aren't lawyers (or don't play one on TV), the "you grant us a worldwide, non-exclusive, royalty-free license" means Twitter can use the content without paying you.

Where can they do that? Well, "to use, copy, reproduce, process, adapt, modify, publish, transmit, display and distribute such Content in any and all media or distribution methods now known or later developed" means they can use the content you create and put on Twitter for free anywhere they want, not just on the Twitter platform.

The "right to sublicense" means they can, for free or for compensation to them, grant anyone else the right to use your content anywhere.

And "such additional uses by Twitter, or other companies, organizations or individuals, is made with no compensation paid to you with respect to the Content that you submit, post, transmit or otherwise make available through the Services as the use of the Services by you is hereby agreed as being sufficient compensation for the Content and grant of rights herein" means that even if they get paid by letting someone else use your content, you get nothing, and your ability to use the platform is compensation enough for you.

So, what do you really own when others can earn compensation from your content without compensating you?

Technology is continually training you for non-ownership, via licenses and subscriptions. When I was growing up, I cherished my collections of music (in three different form factors), books, toys, and more. Each item might not have had a ton of value, but it was concrete and tangible. It was something that you could hold and even trade with a friend. Once you paid for it, as long as you took care to protect it, it was yours.

Now, more things exist only in theory and are being rented or licensed. Your records, cassette tapes, and CDs are replaced by digital files. Many people don't even own the files; they own a subscription to a service like Spotify or Apple Music, where you can listen on demand to what you want for as long as you pay for the privilege to do so.

While there are certainly benefits associated with more access, it is also important to be cognizant of the downsides.

You may be one of the millions of gamers who buy things within video games and virtual worlds. You outfit your avatar with fresh sneakers, buy it a digital car, and invest money in a virtual mansion. You may spend hundreds to thousands of dollars for pixels. However, you can't take any of it with you. You can't sell it or trade it to a friend. You really own nothing.

The training of generations to accept a lack of ownership and privacy does not bode well for rights or creating wealth and prosperity for individuals—just for the technology companies.

When it comes to tech's usurpation of your rights and your property, it goes beyond the obvious arenas you may consider. Think about companies like 23andMe, which, in a very real sense, own information about your DNA and have created "DNA databases." Even if you don't want to be traced, unwitting family members could breach your privacy.

As a piece in Slate said, "While 23andMe has resisted snooping from law enforcement, the courts may eventually force the company to provide access to its customers' data. Given 23andMe's reach, even people who have not signed up for the service would be forfeiting their genetic privacy in such an event. . . . Families delight in gifting each other these genetic tests and comparing their results. Meanwhile, the company is quickly building a huge genetic database, and in some cases, sharing that data with partners like GlaxoSmithKline for studies; in coming years, there's no telling how individuals' genetic data might be used, or worse yet, what could happen if that database is ever compromised."[36]

While they are infringing on your rights, the tech companies and their management assume you will just acquiesce your rights given enough time or perks.

Slate quoted 23andMe CEO Anne Wojcicki on DNA privacy: “The reality is that, with a new technology, it just takes time for people to become comfortable with it.” Said Slate, “The statement made headlines because it precisely articulated the gradual social acceptance of genetic genealogy that privacy advocates have been warning against.”[37]

It’s not just any one of the tech companies. All of them envision a future that gives them more control and you less ownership.

Controlling Freedom

Tech platforms like Airbnb are enabling the turning of homes into short-term rentals. And at the Bloomberg New Economy Gateway Latin America conference, Uber’s vice president and head of Latin America, George Gordon, addressed the audience as part of a panel with a vision for the future: “What we want to do with our platform is replace the need for people to own a personal vehicle.”[38]

His rationale was a seemingly innocuous and sympathetic one, as they often are. He explained that most personal vehicles are not utilized, by his estimation, 95 percent of the time. We know that cars generally, outside of times of supply and chip shortages and, of course, some classic collectible models, are depreciating assets and major expenses.

Wouldn’t a world be great where you didn’t have to have a car and you could just depend on Uber? That may sound utopian, but it is truly dystopian.

There’s a reason why in many areas outside of very densely populated urban areas, public transportation is used by those with less in the way of economic means, and those with economic means choose to drive, at least some of the time, despite the costs and other downsides. Having a car (or other mode of transport) at your disposal gives you freedom. If you need or want to go somewhere, you can. You don’t need to depend on the schedule of a bus or a train. Your time has value, as does your liberty.

Now imagine that you must—no matter where you are—depend on Uber (and maybe a couple of other competitors, like Lyft and a taxi company). What happens if you need to go somewhere, even work, and there aren’t

enough cars available? Or there are, but the costs are too high? This scenario is not giving you choice and freedom; it is making you dependent.

Moreover, as previously discussed, once you have removed this object that can give you liberty and you have dependence on the infrastructure, there is more leverage by the powers that be—whether that be tech, government, or a combination of the two—to make you compliant. Don't criticize "x" initiative because if you do, you are risking your access to transportation and, in turn, your economic freedom.

If you choose not to have a vehicle, for whatever reason, that is very different than not being able to own a vehicle because of central planning directives or a lack of appropriate social credit. It's the difference between choice and control.

As we see where technology is already, and its implications today, there is more coming down the road, fast and furiously.

An Intentional Addiction

As even the founders and management of some tech platforms have admitted, a large amount of social engineering has gone into training people to derive gratification from a fantasy world.[39] Taking a cue from casinos, everything has become gamified. Look at the video game industry. While a small percentage of players play for free, there's not much they can do in many of these gaming universes until they pay fees. There is a mid-tier of individuals who spend on an occasional to frequent basis. Then there are the addicts, or "whales," who spend a virtually (no pun intended) unlimited amount on their tech addictions.[40]

But it's not just games. Gamification has come into a variety of aspects of the tech universe, even financial services. Retail stock-trading app Robinhood used to use confetti to "celebrate" after you placed a trade, but dropped it, perhaps feeling pressure after it received a lawsuit from the state of Massachusetts over its alleged gamification strategy.[41]

Often, you don't realize what you are spending on these tech platforms. Just like when you turn your money into credits in a slot machine, you keep going and don't realize the cost. In the digital world, you may not realize your total spend until you get your credit card or bank statement—if you even take the time to review that.

It's an endeavor that is meant to get more people to trade short-term pleasure at the expense of long-term consumption or wealth. They want you to be addicted to owning nothing.

China has realized the addictive impact of gamification and put out moderations in their own country in an attempt to curb that. In relation to video games, the *Wall Street Journal* reported that China's National Press and Publication Administration banned minors from playing online games four days a week (Monday to Thursday) and are allowing play for only an hour maximum (between 8 and 9 p.m.) on holidays and Friday through Sunday.[42]

This, by the way, is not an argument against video games (or for CCP-style rule); it's just pointing out the intentions, power, and evolution of the tech companies and their weaponization of dopamine.

Consistent with the CCP's style, China required, according to the *Journal*, "all users to register using their real names and government-issued identification documents," and partnered with companies to leverage technology to do their bidding. The *Journal* reported, "Tencent Holdings Ltd., the world's largest videogame company by revenue, has used a combination of technologies that, for example, automatically boot off players after a certain period and use facial-recognition technology to ensure that registered users are using their proper credentials."

If it's not the government, it's tech, and if it's not tech, it's the government. And sometimes it's both working together.

Of course, given the addictive nature of many of these products and platforms, China is happy to push that addiction elsewhere, such as using the highly addictive TikTok app to engross kids in the US and globally (and using it to reportedly spy on users, as well).[43]

As technology continues to evolve, such as with the metaverse, the push for the addiction to owning nothing will intensify.

The Metaverse

If shadow governments weren't enough cause for concern, what about parallel worlds? Not necessarily just in the physical world, as some have hypothesized, but complete, immersive, *Ready Player One*–style worlds where you can live, work, and play digitally.

This is the plan behind one of the new investment areas for Big Tech, the metaverse. It’s an important enough endeavor that one of the biggest tech companies in the world changed its name from Facebook to Meta to reflect this renewed focus, and other large companies, tech and otherwise, have been ramping up their investments in this arena, to the tune of hundreds of billions of dollars.[44]

While this potential next digital evolution may represent a tremendous moneymaking opportunity for corporate America, where does it leave you?

As currently defined, the metaverse can be thought of as a series of immersive, digital worlds, or the next step in digital connectivity. The idea is that instead of the more two-dimensional interactions you currently have on the internet, you will be interacting in three-dimensional worlds, likely with the assistance of hardware, such as a virtual reality (VR) headset or something similar.

Big businesses are seeing this as a way to transform interactions and get more money from you. For example, you may enter a world built by one of the Big Tech companies and have an off-the-shelf avatar to represent you as you move through the world. Where the opportunity comes is, not unlike current video and interactive games where you can make in-game purchases, these companies will want to sell you digital goods and services that supposedly enhance your digital life. Perhaps you buy your avatar designer digital sneakers to replace the off-the-shelf ones that come standard with every avatar. Or you buy a digital high-end car to help your avatar move between digital worlds in style. Each one of those comes with a cost, and the biggest brands want to be there first to sell to you.

As the *Economist* noted, “The MAAMAs’ [Microsoft, Alphabet, Amazon, Meta, Apple] other priority is creating software platforms that will allow them to extract rents, by drawing in users, and then relying on network effects to draw in even more.”[45]

This may seem far away, but it is consistent with the way many people are already interacting in games and online. According to ironSource, in 2021, in-game purchases for iPhone and Android alone amounted to $79.5 billion.[46] This opportunity was likely a rationale for Microsoft’s offer to acquire gaming company Activision Blizzard as well.

It’s not just about a money grab, though. This issue is about your access as an individual to opportunity and property rights. How does the average

person participate in these new, parallel worlds? How do they retain ownership, and how do they build and retain wealth?

If the worlds are owned by Big Tech, then they control the platform, its access, and its rules, becoming an even more entrenched de facto digital government, with more control than those we have already been discussing.

Will you, as an individual, be able to buy digital property and resell for a profit, or open a small boutique and offer goods and services (with Big Tech, of course, taking a cut)? Or will that opportunity be reserved for big brands and partners with significant money and clout?

Once you "own" something digital, do you actually own it? Can you port it to another digital world? If you get kicked off a platform for any perceived violation by its Big Tech ownership, will you be forced to sell or even forfeit your digital goods? Do you really own anything or are you living in a licensable world where you, once again, are the product?

Or perhaps you are not invited to even participate at all, and since a private enterprise is the gateway, there is nothing you can do.

If this becomes the norm, with no additional focus on protecting property rights and technology companies' desire to make your life into a subscription model, it is pretty clear that you will own nothing.

Certainly, there are decentralization efforts that underlie the Web3 evolution, including various cryptocurrencies and open-sourced digital platforms. There are "public" metaverses where you can buy virtual land and storefronts today. However, it remains to be seen if those efforts will be able to be a force against Big Tech companies and their allies that have a lot of cash and a lot of clout and if there will be a commitment to property rights if and when the bigger players come to dominate. Given the trajectory of other tech, it is a substantial concern, in concert with the concern of trading real life for a digital one and what that means for wealth and freedom long-term.

If we don't each start demanding to be a part of what's coming, you may end up being a subject of a Big Tech kingdom or find yourself a digital outcast.

Tech and Politics

Technology is not only in pseudo-competition with governments, but is also impacting politics itself. What about when tech impacts elections? Having

technology companies and platforms decide what speech can run prior to elections and what is shown to you can have a material impact on elections.

This has manifested itself in many ways. In the 2020 presidential election, major platforms suppressed the *New York Post*'s exposé on Hunter Biden's laptop. Twitter locked the *Post*'s account for more than two weeks and barred users from sharing the story. Not allowing this information to be widely disseminated or examined may have had an impact on the election itself. It was even acknowledged as problematic by then-CEO of Twitter, Jack Dorsey, at a congressional hearing in 2021. He called it a "total mistake."[47]

Big Tech has even censored candidates, their supporters, and their critics in a way that tilts the playing field.

Having another country interfere in an election is a huge issue. What about a shadow government that has an incentive in what the outcome is?

Certainly, media companies have always had some ability to pick and choose narratives. At least in legacy broadcast media, such as TV and radio, there is an equal-time rule. It is far from perfect, but it at least gives the illusion that there's some attempt at fairness.

In terms of tech and political manipulation, there is also the Cambridge Analytica and Facebook scandal, wherein a British consulting firm was allowed to collect and analyze personal data on millions of Facebook users without their consent. This data was ultimately passed on and used for political advertising purposes.[48] CNBC reported that data was harvested without permission from up to 87 million Facebook profiles and turned into "psychographic profiles" before ultimately serving them political ads.[49]

It seems like big data is a fancy way of saying privacy breach.

It wasn't that long ago that NSA contractor Edward Snowden exposed the ties between the agency and tech firms. As Reuters said in 2020, "The NSA has long sought agreements with technology companies under which they would build special access for the spy agency into their products, according to disclosures by former NSA contractor Edward Snowden and reporting by Reuters and others. These so-called back doors enable the NSA and other agencies to scan large amounts of traffic without a warrant."[50]

Regardless of who is doing the giving and who is doing the taking, and even if they are in some competition, the government and Big Tech have a history together.

With tech and politics becoming more intertwined, it will only become a bigger issue.

Digitalizing the New Financial World Order and Consent

As tech gains more scale and the new financial world order seeks more control and power, the coming together of the two will lead to even more technology that supplants and suppresses rights. Digital IDs and digital currencies and their ties to social credit (not unlike the digital *dang'an* we discussed in Chapter 5) create more mechanisms to gather and store information. And with that comes the opportunity to leverage that information.

Think about the control over your information. Of course, for decades, companies have had access to, used, and even sold certain pieces of data. They may have known your name, address, and maybe your phone number and marital status. They may have asked for some demographic information as well, which was optional when you registered for a warranty, for example.

Then companies started asking for your email address. Nowadays, what don't they know about you?

Moreover, the illusion of choice and the illusion of consent are allowing Big Tech to keep you from freedoms, rights, and prosperity.

Does having few choices and you clicking "yes" on a terms-of-service policy, with the option of forgoing participation in speech, commerce, or other aspects of society, truly mean consent? Do you have agency when you are limited in your choices or by freedoms?

The journal *Frontiers in Communication* shared an interview with writer Aldous Huxley that was conducted by Mike Wallace, along with some relevant commentary on consent and technocracy. They said, "Aldous Huxley had forewarned the world 4 years before President Dwight D. Eisenhower's famous farewell message that alerted citizens to a new threat to peace. Huxley's interview with journalist Mike Wallace foretells a time when public relations messaging controlled by the power elite would threaten to undermine man's capacity to reason and, thus, like a Trojan Horse opens the way for attacks on human rights and sovereignty. Huxley begins with the presupposition, elaborated earlier by Walter Lippmann, that leaders must 'manufacture [the] consent' of the people they govern."[51]

This is relevant, whether the domain is the state or Big Tech as a de facto state.

The piece continues with Huxley's interview. "'They will do it,' notes Huxley, 'by bypassing the sort of rational side of man and appealing to his subconscious and his deeper emotions, and his physiology even, and so making him actually love his slavery.'"[52]

You will own nothing. You will have chosen it. You will be happy—or so they will tell you—to be free of responsibility and the burdens of ownership and having to care for anything or anyone.

The story will be sold as an ideal world. But you must ask, ideal for whom?

Chapter 7

Socially Unacceptable, the Business Edition

How ESG Is a Power and Money Grab via Business Social Credit

> To rob the public, it is necessary to deceive them. To deceive them, it is necessary to persuade them that they are robbed for their own advantage, and to induce them to accept in exchange for their property, imaginary services, and often worse.
>
> —Frédéric Bastiat

From the pot of alphabet soup, you may have heard of another three-letter acronym being pushed by the World Economic Forum, United Nations, governments, big business, investors, and other global elites: ESG.

ESG, which stands for environmental, social, and corporate governance, and is also referred to in concept with terms like “stakeholder capitalism” and “sustainable investing,” encompasses various nonfinancial criteria for companies and their investors. ESG is based on some elites’ own decisions around morality and “what is good for society” (that always ends well, doesn’t it?).

It is somewhat difficult to explain what ESG is because it shifts and changes around a moral code dictated by a relatively small number of people without specificity. This shifting is deliberate so ESG can serve the elites’ whims as their ideas and priorities shift.

We likely broadly agree regarding concepts related to ESG. Most people would concur that we want to be good environmental stewards. On the social and governance side, it makes sense to treat employees well and incorporate diversity in many forms.

Where ESG goes sideways is in its actions. Basic free market economic tenets largely solve many social, governance, and even environmental issues. People don't want to do business with companies that don't treat employees well. As a business, your employees are stewards of your brand; unhappy employees become unhappy brand stewards who often engender negative customer responses. Self-regulating and reaching equilibrium is all built into the model.

The same goes for diversity. Those who seek out diverse perspectives and experiences and incorporate them in an authentic manner often see better business results.

So, ESG concepts make general sense. However, once they have been co-opted by a profiteer class and enabled by useful idiots, the free market concepts become bastardized and guided to central planning outcomes. As we have learned throughout history, and paid the price for in recent years, this is never to anyone's benefit other than the central planners and their cronies.

Imagine a bunch of entitled elites and bad actors sitting around a conference table and asking, "How can we give businesses a social credit score so that they do what *we* want them to do instead of what's in the best interests of their shareholders, customers, and business model?" That's ESG at its core.

What started with perhaps good intentions has now become a hybrid scam and capital diverter.

A whole class of rent extractors found that they could make a ton of money by exploiting ESG. For those in the exchange-traded fund (ETF) and mutual fund businesses, which are often low-margin, by slapping an ESG label on their funds they can charge a higher fee and have a new, virtuous marketing campaign.

Pension advisors, accountants, board consultants, speakers, and other subsets of the professional class have found a new place to assert expertise and charge fees, regardless of whether this work actually helps companies.

The ESG ecosystem has created an extremely valuable industry. Dan Katz, a former senior advisor at the Treasury Department, wrote in *Barron's*, "ESG has become a dominant force in recent years, attracting more than $40 trillion in assets, driving profound impact on capital markets and through them the entire U.S. economy."[1]

Forty trillion dollars! That's almost two times the US GDP. And that's just the direct asset implications and value, not the entire ecosystem built around it. No wonder the elites are pushing it so hard.

Brian Moynihan, CEO of Bank of America, called the transition to ESG a "big business opportunity" for banks. *Financial News* reported, "Bank of America has invested in ESG dealmakers in recent years, as banks including Citigroup, Deutsche Bank, Goldman Sachs, and JPMorgan have all created dedicated teams of bankers to help finance the clean energy transition that is estimated to be worth $7tn every year, according to an OECD [Organisation for Economic Co-operation and Development] report cited by the Sustainable Finance Initiative in October." That's a lot of green up for grabs, if you catch my drift.[2]

But we must ask, "Who gets to set these criteria that everyone in the world has to adhere to? Should it be the World Economic Forum? The World Bank? BlackRock and Vanguard? Professional accountants and consultants who are seeking to extract fees? Why should any of these entities get to dictate social mores and why would anyone think that any of these groups—or any other groups or individuals—have the best interests of the environment or society in mind over their own self-interests?"

They certainly don't have your best interests in mind and you will find that ESG presents a windfall for those connected to it, but not one for you.

Between a BlackRock and a Hard Place

ESG is a way to not only extract fees but also exert influence.

BlackRock is the largest asset manager in the world, with a reported $10 trillion in assets under management (AUM) as of 2021, a figure that came down a bit in 2022 in concert with overall declines in the market.[3] Given the amount of capital they have to deploy, BlackRock, or one of a handful of other mega-investors like Vanguard and State Street, is usually a top investor in just about every substantive publicly traded company. And with this great power, BlackRock's chairman and CEO, Larry Fink, has been very vocal about how ESG is an opportunity to shape the world according to his and his cronies' visions.

In early 2020, after laying the groundwork for several years by talking about companies needing to have a purpose beyond profits (very similar to

ideas from Klaus Schwab and the WEF), BlackRock started to talk about reshaping finance via ESG. Fink wrote in the firm's yearly shareholder letter, "I believe we are on the edge of a fundamental reshaping of finance." When you manage $10 trillion in assets, there's not much guessing; "believe" means you are planning to lead the charge via your actions.[4]

In BlackRock's 2020 letter to clients, "Sustainability as BlackRock's New Standard for Investing," Fink had this to say (bold is BlackRock's emphasis in the online printed letter).[5]

Fink first introduces the ESG platform they intend to push, saying, "**We believe that sustainability should be our new standard for investing.**"

Additional language included:

> This year we will begin to offer sustainable versions of our flagship model portfolios, including our Target Allocation range of models. These models will use environmental, social, and governance (ESG)–optimized index exposures in place of traditional market cap–weighted index exposures. Over time, we expect these sustainability-focused models to become the flagships themselves.
>
> **Strengthening Sustainability Integration into the Active Investment Processes**—Currently, every active investment team at BlackRock considers ESG factors in its investment process and has articulated how it integrates ESG in its investment processes. By the end of 2020, all active portfolios and advisory strategies will be fully ESG integrated—meaning that, at the portfolio level, our portfolio managers will be accountable for appropriately managing exposure to ESG risks and documenting how those considerations have affected investment decisions. BlackRock's Risk and Quantitative Analysis Group (RQA), which is responsible for evaluating all investment, counterparty, and operational risk at the firm, will be evaluating ESG risk during its regular monthly reviews with portfolio managers to provide oversight of portfolio managers' consideration of ESG risk in their investment processes. This integration will mean that RQA—and BlackRock as a whole—considers ESG risk with the same rigor that it analyzes traditional measures such as credit and liquidity risk.

That's a lot of ESG focus.

In BlackRock's 2020 letter to CEOs, titled "A Fundamental Reshaping of Finance," Fink had this to say about these new initiatives (bold is BlackRock's emphasis in the online printed letter):[6]

> . . . we will see changes in capital allocation more quickly than we see changes to the climate itself. **In the near future—and sooner than most anticipate—there will be a significant reallocation of capital.**
>
> . . . And with the impact of sustainability on investment returns increasing, we believe that sustainable investing is the strongest foundation for client portfolios going forward.
>
> While government must lead the way in this transition, companies and investors also have a meaningful role to play. As part of this responsibility, BlackRock was a founding member of the Task Force on Climate-related Financial Disclosures (TCFD). We are a signatory to the UN's

> Principles for Responsible Investment, and we signed the Vatican's 2019 statement advocating carbon pricing regimes, which we believe are essential to combating climate change.
>
> BlackRock has joined with France, Germany, and global foundations to establish the Climate Finance Partnership, which is one of several public-private efforts to improve financing mechanisms for infrastructure investment . . . we are facing the ultimate long-term problem. We don't yet know which predictions about the climate will be most accurate, nor what effects we have failed to consider. But there is no denying the direction we are heading. **Every government, company, and shareholder must confront climate change.**

The message is, in my interpretation, that if you don't follow what we (BlackRock) want you to do, we will allocate capital away from you. Given that we control a heck of a lot of capital and are connected with all sorts of powerful people, entities, and governments, you may want to be with us, not against us.

The clarity of their mafia-esque muscle is apparent in the following paragraph from the letter:

> We believe that when a company is not effectively addressing a material issue, its directors should be held accountable. Last year BlackRock voted against or withheld votes from 4,800 directors at 2,700 different companies. Where we feel companies and boards are not producing effective sustainability disclosures or implementing frameworks for managing these issues, we will hold board members accountable. . . . **we will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.**[7]

The message again is clear—you will not succeed if you are not aligned with us. That is not capitalism; that is a corporate version of fascism.

This maneuvering benefited the cause of ESG, which in turn benefited BlackRock and its cronies. On the last day of 2021, Bloomberg ran a piece called "How BlackRock Made ESG the Hottest Ticket on Wall Street," looking back on the nearly two years since "Larry Fink, the chief executive officer of BlackRock Inc., declared that a fundamental reshaping of global capitalism was underway and that his firm would help lead it by making it easier to invest in companies with favorable environmental and social practices."

Bloomberg called out the heft that BlackRock used in making this happen by force instead of choice:

> . . . BlackRock drove a significant part of that shift by inserting its primary ESG fund into popular and influential model portfolios offered to investment adviser who use them with clients across North America. The huge flows from such models mean many investors got into an ESG vehicle

> without necessarily choosing one as a specific investment strategy, or even knowing that their money has gone into one.
>
> In short, an apparent BlackRock–led rush of investors into ESG in the past two years has been something of a self-fulfilling prophecy.

In addition to shoving ESG down everyone's throats and reaping financial rewards, very little of this has anything to do with benefiting any broad set of social impact goals.

The Bloomberg piece further said, "A *Bloomberg Businessweek* investigation published earlier this month revealed that the ratings BlackRock cites to justify the fund's sustainable label have almost nothing to do with the environmental and social impact companies in the fund have on the world."[8]

Tariq Fancy, who previously was the chief investment officer for sustainable investing at BlackRock, left because he felt it was primarily impacting power and fees for Wall Street. Bloomberg reported, "Even for investors who make a conscious decision to go into ESG, be they institutions or individuals, the funds are doing little other than benefiting Wall Street, according to Fancy." He said to Bloomberg, "There's no reason to believe it achieves anything beyond sort of giving them more fees. . . ."[9]

Fancy, who believes strongly in environmental issues, also critiqued the initiative in a *Wall Street Journal* article in November 2021.

> Is ESG good for the industry? Undoubtedly yes. It presents a lucrative new opportunity to raise funds and fees. And as an added bonus, it keeps government regulation to address the climate crisis at bay through feeding us yet another narrative in which our answers are solved by the "free market" magically self-correcting.
>
> But good for the planet? . . . [T]here is no compelling empirical evidence that ESG investing mitigates climate change.[10]

It's no wonder that even those who consider themselves environmental advocates think that ESG is, well, a scam. Now, they might argue for a different version of ESG, but that would just end up with the same set of problems.

Below see the top holdings, reported by *Barron's*, of the Northern US Quality ESG Fund, as of the end of March 2022.[11] The top ten holdings, accounting for almost a third of the entire fund as a percentage of assets, look like a normal large-cap fund. But no, it's ESG, because . . . fees, I guess.

Northern U.S. Quality ESG, Holdings as of March 31, 2022. Returns through April 25; Three-Year Returns Are Annualized

	Total Return		
	YTD	**1-Year**	**3-Year**
NUESX	(10.1)%	3.4%	16.7%
Morningstar Large Blend Category	(9.4)%	2.0%	13.7%

Top Ten Holdings

Company/Ticker	**% of Assets**
Apple/AAPL	6.9%
Microsoft/MSFT	5.9%
Alphabet/GOOGL	5.8%
Tesla/TSLA	2.1%
Coca-Cola/KO	2.1%
Mastercard/MA	2.0%
Nvidia/NVDA	1.8%
Amazon/AMZN	1.8%
Intel/INTC	1.7%
Home Depot/HD	1.7%
Total:	31.8%

Source: Morningstar via *Barron's*.

It is entirely unclear what it is about this portfolio that makes it ESG compliant, but people are extracting special fees in the process.

It all appears quite scammy.

Bloomberg featured an article headlined "ESG Funds Managing $1 Trillion Are Stripped of Sustainable Tag by Morningstar. Over 1,200 funds no longer merit ESG label, analysis find. Move feeds into fears fund industry is rife with greenwashing." The article referenced a forensic analysis by Morningstar, saying, "The findings feed into concerns that asset managers are still making misleading claims on the extent to which their allocations are doing the planet or its inhabitants any good."[12]

I'm shocked, I tell you!

Of course, the designation is also up to whatever Morningstar deems to be "ESG."

ESG creates a bevy of profiteering possibilities, which means there are lots of people who are going to work very hard to make sure they can still feed at the ESG trough.

The Real Toll of ESG

While nobody likes enabling a profiteering racket, the consequences of the ESG push are much more dire.

ESG adoption has had real cost and supply ramifications for energy production and commodities, which is materially affecting your wallet today and is likely to do so in the future. ESG pressures have kept many capital providers from lending and investing capital across an entire vital industry for years for fear of losing their own ESG accreditation or potentially their own capital.

This financial pressure campaign has led to massive underinvestment in the traditional energy sector, which hit consumers' pockets in 2021 and particularly in 2022. Gas prices and overall inflation, which hit the highest level in forty-plus years during 2022, were heavily influenced by the underinvestment in the sector and the corresponding decrease in energy supply.

Lewis Davey, a recruiter and service provider in cleantech and related industries, talked about this intentional shift in capital, particularly around fossil fuels and energy.

They said, "Bloomberg Intelligence has reported that oil businesses find it more challenging to raise finance amid the increasing ESG concerns, while banks are under added pressure from their investors to reduce or remove

fossil fuel financing. According to Goldman Sachs, the cost of developing fossil fuels now exceeds renewable energy projects. This change is generating an unprecedented shift in capital allocation. This year represents the first time renewable energy will represent the highest part of energy investment."[13]

ESG creates intentional pressure to move capital based not on market demands but on the objectives and directives of the elite. ESG is effectively their bullying mechanism.

Forbes contributor and energy specialist Jude Clemente wrote, "Despite rising oil prices, we're not seeing the investments in new supply that we would've seen in previous cycles before the pandemic . . . There has been: 1) a lack of access to financing because of climate concerns, 2) investor demands to decarbonize, and 3) a shortage of sufficient investments in new supply for many years."[14]

Forbes also referenced an Evercore ISI report showing that private oil and gas exploration and production firms, which are not subject to the same level of ESG pressures as publicly traded firms, were planning to increase their capital expenditures for 2022 at double the growth rate of their publicly traded peers.[15]

Clemente further laments the hypocrisy of the ESG anti-oil agenda and how it is merely transferring production to OPEC and Russia. He says, "As we're seeing today, these rogue nations, with, contradicting the purported goals of ESG, horrific records on human rights are now controlling the market after ceding it to American shale over a decade ago." [16]

That's the rub. America can produce energy more cleanly than these other countries. If being "green" were truly the most important thing, ESG advocates would not only be all-in on nuclear energy, but also they wouldn't act as if handing off production to these rogue countries is an appropriate or "green" action. It's like believing that having an open smoking section in a restaurant works.

The Biden administration's focus on the *E* in ESG has been fierce. In a CNN primary debate in March 2020, Biden campaigned on ESG and energy initiatives. He said, "Number one, no more subsidies for fossil fuel industry. No more drilling on federal lands. No more drilling, including offshore. No ability for the oil industry to continue to drill, period, ends, number one." He also said he would not allow new fracking.

In the US, the ESG initiatives led to more expensive energy, a stoking of record inflation, and ultimately an economic recession. Gas alone hit a record of more than $5 a gallon on a national average in June 2022.[17]

Moreover, ESG activism led to less economic and national security, both in the present and the future, for the United States and its allies. It prompted President Biden to beg bad actors around the world to produce more oil (instead of just changing his policy stance).[18] The biggest global oil production alliance, OPEC+, responded "no, thanks" in October 2022 and cut production by 2 million barrels per day instead.[19]

It also led to less food security and cost surges in thousands of derivative products, both in the US and around the globe.

This had significant impacts on Europe, too.

By July 2022, electricity prices in France and Germany hit record highs. Energy prices also impacted German inflation, pushing the country to the brink of a recession.[20]

The European Union, which both moved away from traditional energy sources but also reportedly gets around 40 percent of its gas supply from Russia—because it's more green for the planet if Russia sends it to you or something—started to ration energy in July 2022 for fears that there wouldn't be enough.[21]

An *Insider* piece noted that in Germany, hot water and heating were starting to be rationed by landlords, schools, and other entities.[22] Then the Nord Stream pipelines, which transported natural gas from Russia to Europe, were sabotaged.

These crises had Europe rushing to redefine ESG to suit its current needs.

The *Financial Times* reported, "Energy crisis prompts ESG rethink on oil and gas. Investors are starting to look more favourably on energy companies because of their role in the transition to a decarbonised economy." When it serves them, they can change around what ESG means.[23]

The *Financial Times* also said, "European funds that employ environmental, social and governance (ESG) metrics as a group are heavily 'underweight' in oil and gas stocks but some tentative signs of a shift in positioning have appeared. Six per cent of European ESG funds now own Shell, compared to zero per cent at the end of last year, according to Bank of America. Holdings have also risen modestly this year in other energy

companies, including Galp Energy, Repsol, Aker BP and Neste, across the 1,200 European ESG active and passive funds monitored by BofA."[24]

This change even got into the European Union Parliament, which voted in July 2022 to allow nuclear- and gas-powered plants to be labeled as sustainable investments in financial markets. *Politico* reported, "Under the new rules—known as the taxonomy—new gas-fired plants built through 2030 will be recognized as a transitional energy source as long as they replace a coal- or fuel oil-fired plant, switch to a low-carbon gas like hydrogen by 2035 and stay under a maximum emissions cap over 20 years. Existing nuclear plants will receive a green label if they pledge to switch to so-called accident-tolerant fuels beginning in 2025 and detail plans for final storage of radioactive waste in 2050."[25]

That's very convenient timing. But it doesn't fix the risk of underinvestment in traditional energy, given the whims and changes of the political class vis-à-vis ESG.

ESG has the potential to kill human flourishing, denying reasonable energy solutions and thus keeping people worldwide from participating in wealth creation, and in some cases a decent standard of living.

Decisions on ESG will lead to starvation around the globe and may set back the US and its productivity and GDP via energy rationing. We will be moving backward, not forward.

How Did This ESG Stuff Start?

Much of what ESG is today can be traced to the United Nations. Preqin, a data and analytics company focused on alternative assets, notes that "[i]n 1992, The United Nations Framework Convention on Climate Change (UNFCCC) is established, signed by 154 states at Rio de Janeiro, coming into effect in March 1994. The overall goal of the UNFCCC is the 'stabilization of greenhouse gas concentrations in the atmosphere, at a level that would prevent dangerous anthropogenic human-induced interference with the climate system.'"[26]

The UN's ESG pressure became more robust at the end of the 1990s and into the early aughts. Kofi Annan, UN secretary-general, spoke for the third time in two years at the World Economic Forum in February 1999.[27]

In his remarks, Annan said, “Our challenge today is to devise a similar compact on the global scale, to underpin the new global economy. . . . I call on you—individually through your firms, and collectively through your business associations—to embrace, support, and enact a set of core values in the areas of human rights, labour standards, and environmental practices. Why those three? In the first place, because they are all areas where you, as businessmen and women, can make a real difference.”[28]

A year later, the UN launched its United Nations Global Compact. Preqin describes it as “both a principles-based policy platform and a practical framework for companies committed to sustainability and responsible business practices.”[29]

The Global Compact morphed into a gathering, coordinated by the UN. In 2004, leading financial companies, worldwide organizations, and other experts began working on ways to integrate certain principles into the financial markets. A white paper coming out of this in 2005 called “Who Cares Wins” is regarded as the first use of the term “ESG.”[30]

In April 2006, the UN—which now has a Global Compact Office—launched their principles for responsible investment, or “PRI.”[31]

Key takeaways from the release include that institutions “representing more than $2 trillion in assets owned, officially signed the Principles at a special launch event at the New York Stock Exchange.” It also talks about the “[m]ore than 20 pension funds, foundations and special government funds, backed by a group of 70 experts from around the world,” that were involved in crafting the principles.

The release says, “These Principles grew out of the understanding that while finance fuels the global economy, investment decision-making does not sufficiently reflect environmental, social and corporate governance considerations—or put another way, the tenets of sustainable development.”

This is the backbone of ESG, and more and more investors sign up to them every year, estimated at more than 5,300 signatories worldwide today.[32]

What are these principles? Well, according to the UN’s PRI (which became so large, it now has its own annual report),

> The six Principles for Responsible Investment offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world’s professionally managed investments.[33]

The commitments that these firms are signing on to are as follows.

> As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).
>
> We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:
>
> **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
>
> **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
>
> **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
>
> **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
>
> **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
>
> **Principle 6:** We will each report on our activities and progress towards implementing the Principles.
>
> The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.
>
> In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.
>
> We encourage other investors to adopt the Principles.[34]

The PRI website notes that this is voluntary, but heavily extols the virtues of ESG.

As time went by, the Great Recession financial crisis pushed a number of financial firms to rehabilitate their image and, in doing so, they publicly embraced more “social” ideals.

The UN’s fingerprints continue to be on ESG, particularly around 2015, with the establishment of Sustainable Development Goals (SDGs) and, of

course, the Paris agreement on climate change.[35]

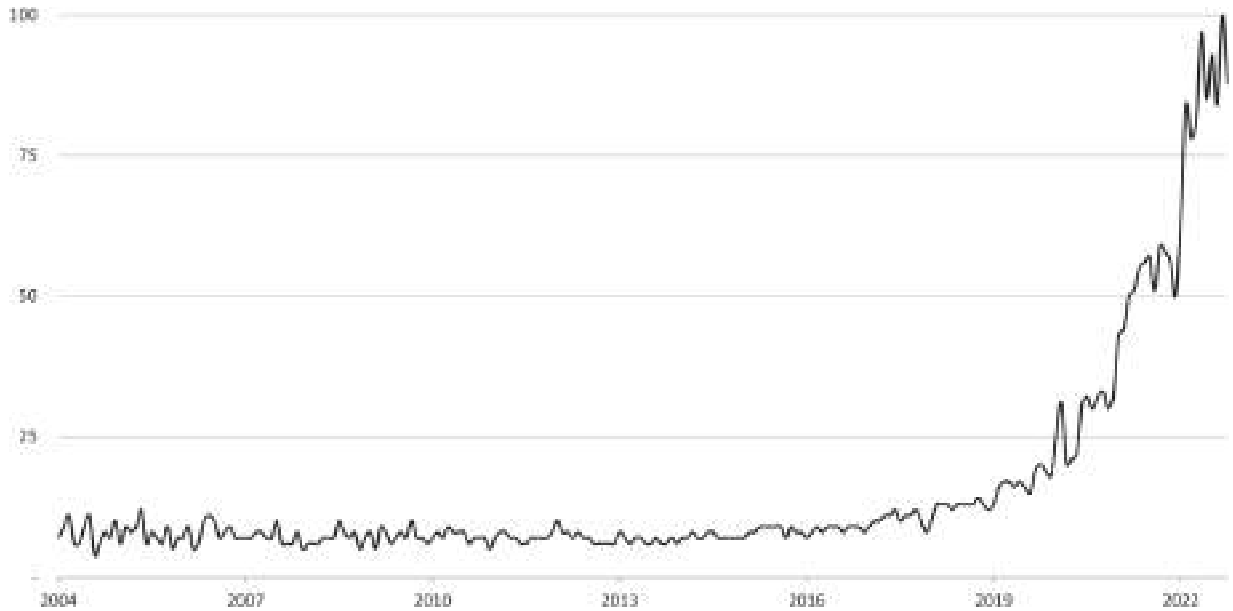
ESG-related searches on Google, the most broadly used search engine, were very low for a very long time, even after its introduction by the UN in the early aughts. Searches for the term "ESG" didn't begin to really move until 2019, with ESG investing searches picking up a little earlier in 2017.

You can tie some of this back to the WEF holding the Sustainable Development Impact Summit in 2017 and BlackRock talking more about ESG a couple of years later, among other factors.[36]

A 2020 report from the World Economic Forum, in collaboration with Boston Consulting Group, was titled "Embracing the New Age of Materiality: Harnessing the Pace of Change in ESG." It states, "In September 2019, we began a process of building an effective ecosystem for ESG aimed at advancing the state of ESG reporting."[37]

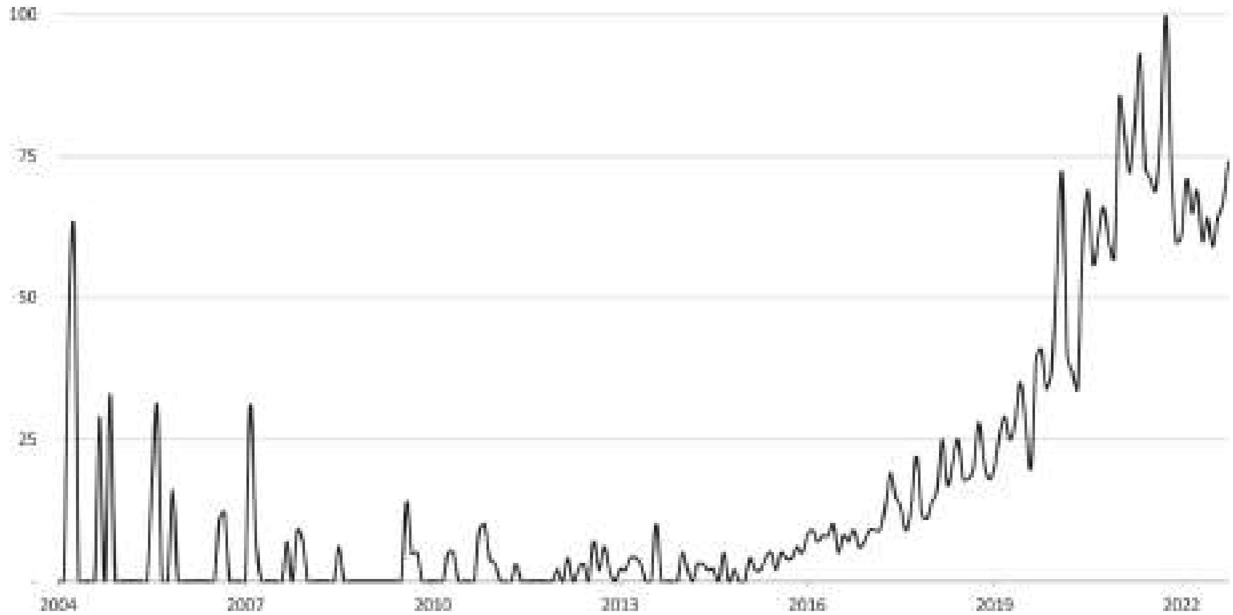
The article linked to in that particular sentence in the report disappeared from the WEF website, but, using the Wayback Machine on the Internet Archive, I was able to pull up a snapshot of it.[38]

Google Searches for "ESG"; Interest Over Time; January 2004 to October 2022



Source: Google Trends, https://trends.google.com/trends/explore?date=all&geo=US&q=ESG. Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

Google Searches for "ESG Investing"; Interest Over Time;
January 2004 to October 2022



Source: Google Trends, https://trends.google.com/trends/explore?q=esg%20investing&date=all&geo=US. Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

The first thing on the page said, "This project is part of the World Economic Forum's Shaping the Future of Investing Platform," which absolutely does not sound sinister at all.

This is some of what they had to say about their long-term plans:

> In Phase 1 (2012–2015), the initiative set a solid foundation for the World Economic Forum's ongoing thought leadership in this sector via a series of formative reports. In Phase 2 (2016–present), the initiative has been mobilizing investors, governments and enterprises to create an enabling environment that provides tangible pathways to scale both sustainable and impact investing approaches.

It's pretty clear from their own words that the WEF is taking a large amount of credit for the ESG push and has plans to stay centrally involved. They write, "The Forum network is uniquely positioned to provide influence and direction for the traditional investing community, governments, and enterprises with the desire to see positive systems change."

Under the title Active Workstreams, they touted the following: "Building an Effective Ecosystem for ESG (Environmental, Social and Governance): A multi-stakeholder effort to increase the coherence of initiatives within the

ESG reporting ecosystem—ultimately boosting transparency, corporate performance and supporting usage of ESG in the investment process."

And who are the folks involved? They have an interactive "ESG Ecosystem Map" to help you "decipher the who is who and the dynamics of ESG reporting."

Right at the top are the UN Global Compact, major accounting standards boards, major accounting and consulting firms, and business media and reporting firms, including Bloomberg, S&P, and Thomson Reuters, among others.

Looking back at the WEF's 2020 report, they note, "At the close of 2019, the scene was set for a new era of stakeholder capitalism through the reinvigorated '2020 Davos Manifesto.' Nearly five decades after the original was released in 1973, articulating that the purpose of business is to serve more than shareholders alone, the updated manifesto expands on this idea by stating, 'A company is more than an economic unit generating wealth. . . . Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives.'"[39]

They also quote the then–global head of sustainable investing at BlackRock as saying, "We cannot wait for corporate reporting to become perfect; we need to become more forward-looking now and push for better corporate reporting at the same time." Who was this gentleman? His name is Brian Deese. If that sounds familiar, it is because Brian Deese was a senior advisor to President Obama prior to his BlackRock stint and now is director of the National Economic Council of the United States, under President Biden.[40]

The same names—BlackRock, the WEF, the UN—seem to pop up repeatedly. It may all be a coincidence, but I fall back on the theory that a few instances can still be coincidental, and after that, it's not.

Section 3.2 of the report talks about escalating stakeholder activism. They mention that "NGOs and activists are more frequently focusing their efforts on investors," and that "[a]dvocacy groups and activists are deploying highly professional campaigns and media strategies." They even expose funding sources, saying, "Large funders and the general public are giving greater support to environmental advocacy campaigns. For example, the European Climate Foundation is financing a number of environmental NGOs and initiatives, and amplifying the financial support of foundations."[41]

They are putting it all in print for everyone to see—they are engineering a massive, well-funded strategy to push their and their cronies' objectives.

In his book *The Great Reset*, Glenn Beck shares that while there are various ESG metrics, the ones promoted by the World Economic Forum and the International Business Council (a group that Beck mentions was created by the WEF) were put forth in conjunction with experts from the "Big Four accounting firms." These are not only powerful entities, but entities that stand to make a fortune advising and consulting on the very metrics they helped to craft.[42]

All of this activity, laid out by the UN and the WEF, and pushed by mega-investors like BlackRock, begets the Business Roundtable, an association made up of CEOs of major US companies (their website as of January 2023 says the companies of their CEO members support 37 million American jobs and $10 trillion in annual revenue, accounting for 24 percent of the US GDP, ostensibly plus international revenue as well), getting involved in ESG, signing a statement of corporate purpose.[43]

The Business Roundtable statement on corporate purpose, as laid out in *IR Magazine*, "supercharged the ESG movement: companies began competing for high ESG ratings and inclusion in ESG-targeted investment funds, and selling products based on their corporate ESG commitment. Simply put, since August 19, 2019, almost every public company—and many a private company—has sought to fortify its reputation by making statements of commitment to environmental stewardship, social justice, and responsible governance."[44]

Today, nearly every publicly traded corporate website has "ESG" plastered somewhere on it, even if their management can't really explain it.

As a reminder, you are funding this crap. In addition to the WEF funding disclosed earlier, in 2020 the United States gave $11.6 billion of taxpayer money to the UN, which is about 20 percent of its budget, so that a bunch of elite and global decision-makers can figure out different ways to push their agendas at your expense and ensure you will own nothing.[45]

All of these organizations seem to be tied together. While, as discussed, their ties go back further, in 2019 the WEF announced that it had signed a "strategic partnership framework" with the UN "to accelerate the implementation of the 2030 Agenda for Sustainable Development."[46] Coincidentally, I am sure, 2030 is the same year as WEF's slate of

predictions that include “you’ll own nothing and you’ll be happy.” We also know that BlackRock is a WEF partner.[47] And we know that all of these entities have played a significant role in making ESG a mainstream initiative.

The elite are driving the bus and have a complete map charting where they want to go.

Sri Lanka and the Almost Perfect ESG Score

Sri Lanka was, not that long ago, a nation on the rise. Between 2008 and 2018, their overall GDP and GDP per capita had nearly doubled. They had, according to a Bangladesh-based newspaper, the *Daily Star*, a thriving economy that was “bringing in more jobs and billions of dollars, and middle class comforts: high-end eateries and cafes, imported cars, and upscale malls.” The country was capturing the attention of investors around the globe.[48]

By 2022, just a few years later, their citizens couldn’t access food or fuel, protesters overtook the president’s palace and ran him out of the country, and Sri Lankans faced their worst economic crisis in seventy-plus years.

What happened?

The answer has a lot to do with ESG.

As ESG was being formulated, refined, and mobilized, a very familiar cast of characters was creating the groundwork for Sri Lanka to become the ultimate ESG prototype country.

Dating back to 2014, BlackRock’s investment team started to champion the country. *Daily FT*, Sri Lanka’s daily business newspaper, ran an excerpt from Gordon Fraser, fund manager and member of the BlackRock Emerging Markets Specialists Team. Fraser said, “I would say now is an excellent time to invest in Sri Lanka. I am very positive about the outlook of the Sri Lankan economy; in my opinion the best economic growth stories are very supply side-led, here Sri Lanka can excel, adding infrastructure where it did not exist before.”[49]

On the back of their various connections and likely capital commitments, Sri Lanka embraced a commitment to ESG.

In 2016, WEF member and then–prime minister of Sri Lanka Ranil Wickremesinghe wrote the first of several articles about his green vision for

the country's future.

> Sri Lanka is committed to achieving 20% renewable energy usage by 2030, over and above the current 35% of hydropower. Environmental sustainability is central to the country's development plans. At the same time, Sri Lanka is ready to be a constructive partner in global climate negotiations.[50]

In 2018, the World Economic Forum ran another Wickremesinghe article headlined "Sri Lanka PM: This Is How I Will Make My Country Rich by 2025." He wrote:

> Our economic policy, Vision 2025, is firmly embedded in several principles, including a social market economy that delivers economic dividends to all.
>
> We have also played a constructive role in promoting international and regional initiatives in many areas, ranging from the environment and climate change to maritime security and migration.
>
> The upcoming 27th World Economic Forum on ASEAN in Ha Noi, Viet Nam, provides me with the opportunity to showcase the landmark changes in Sri Lanka. . . . [51]

The Vision 2025 policy referenced and linked to in the WEF op-ed is hosted not on the official Sri Lankan website, but on the website of the World Bank. The World Bank, which provides financial assistance to developing countries around the world, happens to also be affiliated with the UN.[52]

It should be noted that as policy was implemented in Sri Lanka, like many emerging economies the country went on a borrowing spree, using debt to finance all kinds of projects and infrastructure.

During the 2019 Sri Lankan election cycle, President Gotabaya Rajapaksa touted green initiatives, including an election promise to transition Sri Lankan farming to organic within a decade.[53]

The climate agenda was one promise the Sri Lanka leaders intended to make good on. To comply with "green" initiatives, the Sri Lankan government tried unsuccessfully to commercialize farmland and weaken the farming community to implement their initiatives. When that didn't work, they returned to their organic farming promises, implementing in 2021 bans on foreign-made and nonorganic fertilizers and pesticides.

World Economics, a division of Information Sciences that provides data to financial institutions, governments, and corporations, gave Sri Lanka in 2022 an "Environmental Factors Emissions Index" score of 98.1, with 100 being perfect. In comparison, the United States was given a score of 58.7.[54]

On the "Social Factors Index," Sri Lanka ranked at 69.7, a hair under France (the United States was given 77.7, with the high score being Israel at

82.5).[55] On the "Governance Index," Sri Lanka received a 42.9 (the US was given a 69 and Norway a perfect 100). Regardless, with climate change being front and center, Sri Lanka's green efforts were lauded.

With its ESG embrace, green initiatives, and WEF ties, Sri Lanka was well on its way to being a model of the future world.

Or was it?

Covid shutdowns and natural disasters had crippled travel and tourism. Without traditional fertilizers, those farmers who didn't abandon farming in protest altogether realized tiny yields, barely enough to feed their own families, let alone sell their overages for income as they had done in the past.[56] One farmer interviewed by Reuters reported harvesting just one-sixth of his usual yield. In the Agbopura region, the yields of five hundred farmers were estimated to have been cut in half overall.[57]

In 2022, Sri Lanka faced a food crisis for the first time in modern history.

With all of this, plus a ton of government-incurred debt denominated in dollars (which gained in strength relative to other global currencies by midyear), Sri Lanka started to unravel economically.[58]

In March 2022, propelled by food insecurity, fuel shortages, rationing, and rampant inflation, significant protests from the Sri Lankan people picked up steam. By the beginning of April, President Rajapaksa declared a national public emergency.[59]

Niluka Dilrukshi, a Sri Lankan rice paddy farmer, told the *Guardian* in April 2022, "If things go on like this, in the future it will be hard to find a farmer left in Sri Lanka."[60]

The *Guardian* reports:

> For the farmers of Sri Lanka, their problems began in April last year when President Gotabaya Rajapaksa, who now stands accused of pushing the country into financial ruin, implemented a sudden ban on chemical fertilisers.
>
> The full implications of the ill-advised policy—which has now been reversed—are only just being realised. Farmers say their livelihoods are under threat and for the first time in its modern history, Sri Lanka, which usually grows rice and vegetables in abundance, could run out of food as harvests drop and the government can no longer afford the food imports the country has become overdependent on in recent years. The rice yield dropped to 2.92m tonnes in 2021–22, down from the previous year's 3.39m, and the speaker in parliament last week warned of imminent starvation among the island's 22 million people.[61]

Rajith Keerthi Tennakoon, former governor of Sri Lanka's Southern and Central Provinces, said, "We are a tropical country full of rice paddies and

banana plantations, but because of this stupid fertiliser ban, now we don't even have enough food to feed ourselves. . . . We have had past economic crises, security crises but never in Sri Lanka's history have we had a food crisis."[62]

An article in *Foreign Policy* put the cost of the green blunders for just tea production alone as an expected economic loss of $425 million. For rice production, the country went from being self-sufficient to importing around $450 million in rice.[63]

By late June, Prime Minister Wickremesinghe told his parliament, "Our economy has faced a complete collapse."[64]

In early July 2022, protesters occupied President Rajapaksa's house in Colombo, and shortly thereafter, Rajapaksa fled the country. Despite his role in this unraveling, the Sri Lankan parliament elected Prime Minister Wickremesinghe as the new president.[65]

CNN described the scene: "For Sri Lankans, the crisis has turned their daily lives into an endless cycle of waiting in lines for basic goods, many of which are being rationed. In recent weeks, shops have been forced to close because they can't run fridges, air conditioners or fans. Soldiers are stationed at gas stations to calm customers, who line up for hours in the searing heat to fill their tanks. Some people have even died waiting."[66]

CNN noted that the economic collapse was widespread: "Even members of the middle class with savings are frustrated, fearing they could run out of essentials like medicine or gas. And life is made more difficult by frequent power cuts that plunge Colombo into darkness, sometimes for more than 10 hours at a time."[67]

People couldn't find food. People died waiting in line for fuel. Energy was rationed. But, hey, they had a great environmental score!

The fertilizer ban was eventually overturned, but not without substantial consequences, for which the country and its people will be paying for decades to come.

The Sri Lankan outcome is a centrally planned disaster from the masterminds who want to be in charge of ideas and capital allocation. Guided by these masterminds, the government and ESG led the people of Sri Lanka and the country from a road to prosperity to owning nothing.

Other high environmental and ESG-scoring nations have also seen recent problems that threaten their standard of living and, in some cases, their lives.

Ghana, which has an Environmental Index score from World Economics of 97.7 in 2022, faced nationwide power outages that year. I guess living with blackouts is great for the environment (although not so great for living).[68]

The Netherlands, whose ESG components included an Environmental Index score of 90.7, a Social Index score of 74.9, and a Governance Index score of 88.5, making it an ESG model country, faced protests from farmers in 2022.

The protests, which have been on and off since 2019, escalated in 2022 with backlash against ESG and green legal proposals that threatened the farmers' livelihoods by putting them out of work or cutting their livestock (including pigs, cattle, and chicken) in the name of reducing emissions and pollutants. A government statement said, "The honest message . . . is that not all farmers can continue their business."[69]

These proposals impact the farmers' livelihoods, and are relevant in terms of feeding the planet. The Netherlands is a robust agricultural country and the second-largest exporter of food in the world, behind only the United States. A farm lobbying group called LTO reportedly estimated the number of agricultural businesses in the Netherlands at 54,000.[70]

If you control the food supply, you control the people.

It may be just another coincidence, but the prime minister of the Netherlands, Mark Rutte, is a member of a big global organization that weighs in on things like ESG. Would you like to guess which one? If you guessed the World Economic Forum, you would be correct![71]

If you go down the World Economic Forum rabbit hole, you will find something called the "Food Action Alliance."[72] According to a January 2020 release on the WEF website, "The World Economic Forum, the International Fund for Agricultural Development (IFAD) and Rabobank, together with a growing roster of private and public sector partners have come together to launch the Food Action Alliance (FAA). The FAA brings together the international community to tackle an urgent historic challenge: to reshape the way we think, produce, supply and consume food."[73]

Why do we need to reshape how we think, produce, supply, or consume food? It was working quite well until the ESG folks got involved!

According to the WEF, this initiative "mobilizes a next generation of multistakeholder partnerships that build on existing synergies and complementary capacities to deliver food systems that are efficient,

sustainable, inclusive, nutritious and healthy in line with the United Nations' Sustainable Development Goals (SDGs)."[74] Sustainable Development Goals is sister alphabet soup to ESG. Now the bad actors want to mess with the food supply.

In 2021, the WEF announced, "The World Economic Forum, the government of Netherlands and several public and private sector partners are launching Food Innovations Hub to help transform the food ecosystem."[75]

The press release continued: "Mark Rutte, Prime Minister of the Netherlands, said: 'Global food insecurity has been rising again. This stresses the need to redesign how we produce and consume food. The Netherlands is committed to forming partnerships that will catalyze the innovations that are needed to address the food system challenges. I am therefore proud to announce that the Netherlands will host the Global Coordinating Secretariat of the Food Innovation Hubs.'"[76]

So, the WEF, with the prime minister of the Netherlands, announced the need to redesign the production and consumption of food.

Whatever the intentions are, the actions are deliberate and will impact farmers' livelihoods, what you eat, and if you have food to eat. It worked out very well for Sri Lanka, don't you think?

When Electric Cars Aren't ESG

In mid-May 2022, after billionaire serial entrepreneur Elon Musk, whose tweets have garnered him almost as much attention as his business endeavors, announced a takeover bid for Twitter to fix its widely perceived censorship issues, he found that another one of his businesses had been impacted. Tesla, the world's leading electric vehicle manufacturer, was removed from the S&P ESG 500 index.

Maggie Dorn, head of ESG Indices North America at S&P Dow Jones Indices, who decides which companies are put in and removed from the index, wrote in a post about Tesla's removal, "A few of the factors contributing to its 2021 [ESG] Score were a decline in criteria level scores related to Tesla's low carbon strategy and codes of business conduct."[77] The "codes of business conduct" part sounds an awful lot like they disapproved of Elon's recent stances and affirms the notion that ESG is a corporate social credit score.

Musk responded in a tweet, Exxon is rated top ten best in world for environment, social & governance (ESG) by S&P 500, while Tesla didn't make the list! ESG is a scam. It has been weaponized by phony social justice warriors. He also said that the ratings firm had lost its integrity and warned that political attacks on him would escalate in the coming months.[78]

One of Tesla's investors responded, "Ridiculous. Not worthy of any other response."

Musk wasn't the only outspoken businessperson to find that he had personally negatively impacted the company's social credit, I mean, ESG score.

CSRHub's Consensus ESG Ratings deals in ESG reporting and other tools. They have a badge on their website indicating they are or have been a part of the GRI community, which says about itself, "GRI (Global Reporting Initiative) is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. We provide the world's most widely used standards for sustainability reporting."[79]

The CSRHub tool on its website lets you type in a company and see what the "consensus" ESG rating is. If you typed in Home Depot at the time of writing, they came out with an 89, which puts them in the best category, called "high." However, the dashboard calls out one "special issue" associated with the company. A special issue is described further as "things you feel especially strongly about that don't fall into a simple category structure." These can be positive or negative, per the explanation, but it is unclear whether that impacts the scoring or is just called out as a "gold star" or "black mark," depending on the issue.

On Home Depot's dashboard, at the time of writing, there was one "special issue"; it was denoted with a Trump logo, which, when you hover over it, says "Trump involved." It doesn't take much insight to guess that it is a black mark and not a gold star issue.

I can find no particular links between Home Depot and Trump other than that one of its cofounders, Bernie Marcus, had supported President Trump's election campaign. Marcus retired from the company in 2002. Yet, in 2022,

twenty years after his retirement, his use of free speech is impacting the business social credit of his former company.[80]

Not only is ESG a great tool to handicap enemies, but it is also completely malleable when it doesn't serve a purpose. According to Bloomberg, the EU proposed to tax commercial flights, but not private jets, to discourage fossil fuel use. Also exempt in the proposal were cargo flights that carried packages for businesses like Amazon.[81]

Of course, that is nothing compared to the aforementioned change of heart on gas and nuclear power plants, labeling certain ones green in the wake of Europe's energy crisis.

Also, in February 2022, after Russia's invasion of Ukraine, Bloomberg reported, "Europe now finds itself discussing whether weapons should be listed as ESG assets, to grant them more favorable access to financing."[82]

They are all admitting that they control financing and prosperity based on their objectives, and their objectives change based on what they deem is best at any given time. It's no wonder they believe you will own nothing.

The Continuing ESG Push

Despite the significant issues associated with ESG, it is being entrenched through the US government.

Under President Biden, the Department of Labor's Employee Benefits Security Administration proposed a rule that threatens the fiduciary duty standard that employee benefit plans must follow in terms of picking investments that maximize shareholder value. The rule allows nonfinancial criteria, such as, you guessed it, ESG, including climate change, to be considered.[83]

An op-ed in the *Wall Street Journal* said of this rule when proposed, "This would encourage America's perpetually underfunded pension plans to invest in politically correct but unproven ESG strategies. It would also violate retirees' basic right to have their money invested solely to advance their financial interests."[84]

The rule was codified quietly in late November 2022, effectively saying benefit plan managers no longer have to invest in your best financial interest; now they can favor ESG and economically targeted investments (ETIs). This codifies business social credit at your expense.[85]

This shouldn't be a surprise. In addition to his campaign promises and actions in the first days of his presidency to cancel oil and gas leases and the Keystone XL pipeline, President Biden has ESG-pushers all around his administration. This includes, as noted earlier, Brian Deese, who was formerly BlackRock's global head of sustainable investing and now leads the National Economic Council.

The Securities and Exchange Commission's (SEC) mission is described on their website: "The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC strives to promote a market environment that is worthy of the public's trust." In February 2021, shortly after Biden's inauguration, the SEC announced the addition of Satyam Khanna as senior policy advisor for climate and ESG. According to Glenn Beck's *The Great Reset*, "Mr. Khanna is the first-ever senior policy advisor for ESG issues at the SEC."[86]

What exactly does ESG have to do with maintaining orderly and fair capital markets? Nothing. Installing ESG in the SEC was a political takeover of the capital markets.

Meanwhile, the Federal Reserve, whose explicit dual mandate from Congress is full employment and stable prices, also added ESG and climate initiatives. One was the Supervision Climate Committee, announced in January 2021.[87] The other was the Financial Stability Climate Committee, announced in March 2021. The Federal Reserve said of this initiative, "The new FSCC is a Systemwide committee charged with developing and implementing a program to assess and address climate-related risks to financial stability."[88] That sure doesn't sound like part of the Fed's mandate.

Biden's ESG commitment accelerated in 2021. *National Law Review* noted that "President Biden announced an Executive Order to help 'tackle the climate emergency,' a top priority for his Administration. The Executive Order builds upon the Securities and Exchange Commission's (SEC or Commission) on-going efforts to develop a disclosure framework for environmental, social, and governance (ESG) risks, particularly climate change–related financial risk."[89]

In May 2022, the SEC announced a proposal to enhance reporting and disclosures around ESG. Cloaked under the guise of making things more transparent, it is a backdoor way to entrench ESG further. It also could create additional administrative headaches for businesses that should be focusing on

generating value for their shareholders and serving their customers and employees.[90]

Some people don't think ESG goes far enough. Two Harvard-associated and Reform for Resilience Commission members wrote an op-ed arguing that ESG should include *H* for health and that it should be prioritized and led by institutional investors. Those same investors who manage your money and have a fiduciary duty to you now have another group that wants the investors' attention and preferential treatment.[91]

Cars are already an area where ESG and technology are leading to behavioral changes. According to a report by Lang Marketing, in the US more than 48 percent of sixteen- to eighteen-year-olds do not drive at all, and by age nineteen, more than 40 percent don't even have a driver's license. The report attributes this shift to environmental, social, and technological factors (many of the same factors that are broadly keeping you from ownership).[92] If you don't drive, you don't need a car.

The World Economic Forum caused a stir in July 2022 when it published an article suggesting that private vehicle ownership should be reduced in favor of shared usage of cars and other vehicles. Of course, the reason was to keep "materials at their highest value." In the WEF's eyes, their highest value does not include personal property and freedom for you.[93]

However, just like most WEF ideas, this one has been recycled and rebranded; I guess they find recycling ideas to be a "green" initiative. A 2016 article from the WEF's website was titled "Goodbye Car Ownership, Hello Clean Air: Welcome to the Future of Transport." In this, it solved the world's problems through something it branded as "FAVES"—*f*leets of *a*utonomous *v*ehicles that are *e*lectric and *s*hared (how surprising that moniker never caught on). The article reads like a manifesto to combine technology and socialism. The conclusion is the same as other initiatives—taking ownership from you.[94]

ESG Backlash

As more people have become aware of ESG and its implications, particularly with many high-level participants changing the application at their whim, the backlash is growing.

In a March 2022 op-ed in the *Wall Street Journal*, Arizona attorney general Mark Brnovich announced, “ESG May Be an Antitrust Violation. I’m investigating a coordinated effort to allocate markets.” He calls out the coordinated efforts of large financial services institutions, working together to stop energy investments and implement a political agenda.[95]

After calling out the role of well-funded activists like Climate Action 100+ as part of this effort, he says, “As attorney general of Arizona, I have a responsibility to protect consumers from artificial restrictions on production. That’s why I’ve launched an investigation into this potentially unlawful market manipulation. The resources of hard-working Arizonans should never be compromised in the name of spurious political activism, especially if that activism is a coordinated conspiracy that allocates markets in violation of the law.”[96]

In July 2022, Florida governor Ron DeSantis took action against financial institutions using ESG as part of their criteria. A report from *Florida’s Voice* said, “Florida will prohibit the State Board of Administration fund managers from using political factors to determine where to invest the state’s money. This board includes the fund managers that manage the state of Florida’s pension funds.”[97]

The *Voice* added, “The governor said SBA fund managers will be required to only consider maximizing the return on investment on behalf of Florida retirees.” You know, actual investment criteria.[98]

That same month, West Virginia state treasurer Riley Moore sent a warning to six major financial services institutions, saying that “boycotting” fossil fuels would result in them being banned from state business.[99] One institution, U.S. Bancorp, presented follow-up materials that it had removed restrictions against financing coal mining, coal power, and pipeline construction from its ESG Policy. It was not given any sort of ban.

However, five financial institutions—BlackRock, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo—found themselves on the state’s restricted financial institutions list.[100]

Of course, that created counteraction from activist politicians. Brad Lander, the comptroller of New York City, whose Twitter bio included at the time, “For a more just, more equal, and more sustainable future” (I am not sure what any of that has to do with being a comptroller, so I will let it speak for itself), held a web call. Environmentalist Bill McKibben reported that

Lander "made it clear" that "if @BlackRock and other financial partners don't start meeting their commitments to climate action, NYC won't be able to meet its own pledges."[101]

The backlash against ESG in concept is also being met with the backlash that ESG is smoke and mirrors.

Without admitting any wrongdoing, BNY Mellon found itself settling charges, including a penalty of $1.5 million, with the SEC, which accused the firm of making misleading statements related to ESG. Basically, the SEC alleged that the funds weren't considering ESG criteria in some stock holdings. Deutsche Bank and its asset management arm DWS were "raided" by German police for allegedly overstating their ESG focus (aka "greenwashing").[102]

One financial services executive at HSBC, Stuart Kirk, pushed back and was ultimately suspended for doing so. At the time he was serving as HSBC's global head of responsible investing, he gave a presentation titled "Why Investors Need Not Worry about Climate Risk."[103]

As an op-ed in the *Wall Street Journal* noted, Kirk made salient points about how asset prices had been increasing as climate warnings increased and that the focus had been diverting resources from its core lending function.[104]

The piece cheekily noted the issue with Kirk, saying, "We understand why banking regulators and businesses that hope to make money off the coming tidal wave of climate regulation might be offended by his truth-telling."[105]

The *Economist*'s July 23–29, 2022, issue featured a cover with a hand holding scissors, cutting through a paper with "ESG" written on it. Underneath it said, "Three letters that won't save the planet." A tweet from the *Economist*'s Twitter account on July 21 featured the cover and said, "ESG is often well-meaning but it is deeply flawed. The industry is a mess and needs to be ruthlessly streamlined." Again, they seemed to be more focused on the flaws with the implementation than on the concept.[106]

ESG Equals Money for Them, Not for You

Whether ESG is a scam or a mechanism for fee extractions, it isn't helpful and likely won't go away easily.

Remember that business social credit scoring predated the ESG moniker and is likely to survive or be rebranded if ESG gets enough of a bad name. I am already seeing language tweaks, such as words like *impact*, in the financial services community as a replacement.[107]

ESG works to consolidate wealth with the elite and keep wealth-creation opportunities from you, whether directly, by weakening the investment output and productivity of companies, or by hampering the ability of important companies to improve your life and ability to transact and create wealth.

One Twitter user, an architect named René Girard, put it quite eloquently: “ESG is a way for politicians to force ideology on the public without having to go through the electoral process and gaining public support. This power is exercised through the proxy of corporations. It is anything but democratic. It is totalitarian.”[108]

Chapter 8

Renting the American Dream

Putting Housing Out of Reach for the Masses

He is not a full man who does not own a piece of land.

—Hebrew proverb

Owning a house has been the defining symbol of the American Dream. There's good reason for that—it has been a substantial mechanism for wealth creation. If you want people to create more wealth, you make it easier for them to own a home.

Even in Communist China, housing accounts for a reported 70 percent of household wealth, making it, according to the *New York Times*, "the most important investment for most Chinese people."[1]

So, it is alarming, as noted previously, that the very first prediction in the World Economic Forum's "8 Predictions for the World in 2030" was "You'll own nothing. And you'll be happy. Whatever you want you'll rent. . . ."

Whether that prediction follows the expectations of the new financial world order or is a directive to help create one, it doesn't matter much. Being a perpetual renter, rather than a homeowner, is a substantial affront to creating individual and generational wealth.

Housing and Wealth, by the Numbers

The Federal Reserve Board's 2019 Survey of Consumer Finances (SCF) illustrated the link between home ownership and individual wealth in the United States.[2]

In terms of dollar value, the home (aka primary residence) was the largest asset:

- Across households;
- Across ethnic groups; and
- By age, with the exception of the 55–64 year age bracket, where business interests equaled the primary residence value, and 65–74 where it was behind "other financial assets."

Major Assets on Household Balance Sheets, 2019

Primary Residence	26.0%
Other Financial Assets	20.0%
Business Interests	20.0%
Retirement Accounts	15.0%
Stocks and Bonds	7.0%
Vehicles and Other Non-Financial Assets	6.0%
Other Residential Real Estate	6.0%

Source: "Homeownership Remains Primary Driver of Household Wealth," National Association of Home Builders' Eye on Housing, Figure 1, February 16, 2021, via The 2019 Survey of Consumer Finances, https://eyeonhousing.org/2021/02/homeownership-remains-primary-driver-of-household-wealth/.

In terms of breadth of assets owned, the latest US Census Bureau Wealth of Households report (2017) showed that "equity in own home" was the third most commonly owned asset type in the US, behind assets held in financial institutions and vehicles (which mostly aren't investment assets, but rather depreciating assets). More households had home equity than they did stocks and mutual funds or retirement accounts (including IRAs, Keogh plans, Thrift Savings Plans, and 401(k) accounts)![3]

There is also a correlation between home ownership and overall wealth. The median net worth across homeowners was almost $255,000. The National Association of Home Builders (NAHB) estimated this at more than forty times the net worth of those who rent (reported at just shy of $6,300).[4]

NAHB economist Fan-Yu Kuo, based on the information from the Fed's survey, said, "households that owned primary residences also had holdings among the majority of other asset classes, such as other forms of residential real estate, vehicles, other non-financial assets, business interests, retirement accounts, stocks and bonds and other financial assets." She also noted that the survey results indicated "that owner-occupied households are able to build their wealth gains into other categories."[5]

This is multifaceted. Those who have more money can afford a house and eventually other investments, but also those who face increasing rents are often priced out of investing, creating a cycle of non-ownership and lack of participation in wealth creation. NAHB's Kuo surmised that there were "impacts of homeownership itself (attaining homeownership leads to higher wealth)."[6]

A report from the National Association of Realtors showed that most homeowners had benefited in some way from the increase in housing prices. From 2010 to 2020, the report said, the value of homes as primary residences increased by around $8.2 trillion to a total of $24.1 trillion in value. That's just a hair more than a 50 percent increase in one decade.[7]

The number of households that owned homes reached a peak in 2004, at 69.2 percent. That began to decrease as millions of homeowners found themselves in foreclosure during the Great Recession financial crisis. The Census Bureau reported the percentage of households owning homes has recovered some but remains around 65.5 percent (as of Q4 2021).[8]

Selling You Out of Housing

As noted earlier in our brief discussion of the Great Recession, while both individuals and financial institutions took on too much risk vis-à-vis housing, their outcomes were starkly different. Individuals lost their homes while financial institutions received a bailout.

There could have been a deal cut across the board that benefited everybody, but everybody isn't in the inner circle. Everyone isn't useful in a new financial world order, and if everyone has wealth, that limits the ability of the elite to cement more power.

The wealthy and well-connected benefited during the crisis in multiple ways. Some received direct bailouts. Many were given access to cheap

capital. The financial institutions were able to foreclose on homes—taking away the wealth of the individual. These homes were flipped to capital-rich buyers who bought up these assets at bargain prices.

The *New York Times Magazine* reported that "[f]rom 2007 to 2011, 4.7 million households lost homes to foreclosure, and a million more to short sale. Private-equity firms developed new ways to secure credit, enabling them to leverage their equity and acquire an astonishing number of homes."[9]

It was an epic transfer of wealth.

Moreover, it consolidated power with big institutions and has impaired the ability of many Americans to gain wealth via home ownership.

The government bailing out the big financial institutions but not helping individuals keep their homes had another tertiary effect. It put a glut of foreclosed homes into the market, upsetting the balance between supply and demand. The overbuilding during the pre-recession times and the foreclosures created an oversupply of available homes, while the recession put pressure on housing demand.

The US housing market is still feeling the impact. Based on data from Statista, the decade from 2000 to 2009 saw an overbuilding of homes of about two million units above the trend from the previous three decades.[10] The Census Bureau's "New Privately Owned Housing Units Completed" data, looking at solely one-unit structures, shows an additional 1.88 million new structures for that decade over the 1990s.[11]

However, the following decade, 2010–19, saw substantial underbuilding. There were approximately 5.6 million fewer homes built in that decade than in the 1990s, per Statista, and 4.2 million fewer per Census Bureau data.[12]

This cycle of underbuilding has now left the US housing market with too few homes. Various economists have estimated the extent of underbuilding is four to five-plus million homes, consistent with the variability in data cited above.[13] This is just one factor causing prices to skyrocket and keeping many Americans, including young potential homebuyers, out of the market. The market manipulation done by policy ultimately hampered many individuals' ability to create wealth. Instead these individuals are increasing somebody else's wealth via rental payments.

Another enabler of the current housing debacle is the Fed's historic interference in various asset markets via its policy, which has ebbed and

flowed somewhat over the last fifteen years but has always favored the wealthy and well-connected.

Their decade-and-a-half policy of artificially suppressed interest rates took from savers and retirees any interest income they would have had on their savings. It transferred the benefits to corporations in the form of plentiful debt with ridiculously low interest costs (and, given the inflationary environment, sometimes negative "real" interest rates, meaning the nominal amount they are paying in financing costs is less than the rate of inflation).

The wealthy received inflated asset values, and the everyday American received historic inflation.

The Fed's policy also gave corporations the motivation to seek yield from wherever they could and the capital to do so. This led institutional investors to compete aggressively with individuals for single-family homes—sometimes entire complexes of them—as I will discuss below.

The Vulturing of Booms and Busts

Does everything economy-related seem to have particularly gone haywire in the last thirty-plus years? That is not a coincidence. The power nexus that includes the Federal Reserve, the Treasury and government, and business interests, from the time of Alan Greenspan's tenure at the Fed, has created a blueprint for wealth transfer.

The "Greenspan put"—the idea that under Fed Chair Greenspan, the Federal Reserve wouldn't let the market fall too much without intervening—led to more risk-taking and more intense boom-and-bust cycles.

What may not be obvious is that booms and busts are extremely profitable for those who are well capitalized—that is, the already wealthy and well-connected. And they are terrible for the little guys.

There is a baseline disadvantage in being small. You don't have access to as many opportunities and you don't have the staying power when things go awry. When the financial boom-and-bust cycle gets further distorted by Fed, Treasury, and other government action, it's even worse.

Those who are wealthy, well capitalized, and have a long-term view will often take on excessive risk to do well in periods of prosperity. When that risk-taking enables a bust, who gets washed out? The little guys, of course! The big investors may suffer temporary setbacks, but they are looking to the

future. When the timing is right, they swoop in, buy assets at bargain prices, and wait for the next cycle to begin.

There's a "vulture capital" aspect to these extreme booms and busts. In recent decades, it has come for housing.

One reason housing has become such a long-term wealth generator is that people often unintentionally take a long-term view on housing. They move somewhere to be near a job or to raise a family, so they ignore the boom-and-bust cycles that interfere with wealth. Many people haven't been washed out of their housing opportunities during a bust because they were focused on other things instead of the fluctuating market value of housing. Duration is a critical component of not only generating wealth but also preserving wealth and not being vulnerable to cycles.

Those who don't think long-term and about keeping wealth in the family are often giving up massive gains. I know several people who had divorces and other short-term needs and sold family homes that were bought for five figures. Those homes are now worth seven to eight figures. That is real wealth loss for their respective families.

Of course, profiteers are always seeking to find ways to try to limit your investment duration for their benefit. Home equity loans, reverse mortgages, and other financial products are ways to get you to take short-term gains that can often become long-term losses for your wealth.

In some cases, as happened with the Great Recession bailouts, if you overextend yourself with your home or use your home equity to buy another property, you will find that those who profited in assisting you to overextend are made whole while you lose any wealth you have generated.

The boom-and-bust cycles created by the Fed, Treasury and government, and business interests have driven general economic insecurity and dramatic episodes in the financial and housing markets.

Whether it is the supply-and-demand imbalances in housing, dramatic price inflation of goods and services, or abundant cheap capital for institutional investors, they all set up wealth transfers. They all put you on the path to owning nothing.

Investors, helped by the Fed and the Treasury and government, continue to financialize whatever they can. In housing, this led first to the scope of the Great Recession financial crisis and now to institutional investors competing with you for a home.

Homebuyers, Incorporated

As the cycle of cheap and available debt capital continued after the Great Recession financial crisis into the next decade, it was harder for investors to find "yield" (in layman's terms, assets that would be able to deliver returns on their investments). But investors could not let all of this cheap capital go to waste. As the valuation of stocks increased, professional investors scrambled for other assets to invest in, ultimately driving up prices across markets.

One major asset class that, as a result, saw a substantial increase in corporate investment interest was housing, particularly single-family housing. Houses that individuals and families have bought for decades as a means of creating generational wealth were now also being sought by big corporations.

This was entirely brought about by the Federal Reserve. Meaningful institutional money in single-family rentals didn't exist just over a decade ago!

The *New York Times Magazine* reported in 2020, "Before 2010, institutional landlords didn't exist in the single-family-rental market; now there are 25 to 30 of them, according to Amherst Capital, a real estate investment firm."[14]

I want to say this one more time for emphasis: competing with a large, well-funded corporation to buy a house is a phenomenon that was just created over the last dozen or so years and enabled by Fed and government policy.

Some of these corporations buying up America's single-family houses and turning them into rental properties aren't even based in the United States!

In March 2022, *60 Minutes* did a piece on the subject. Lesley Stahl interviewed Gary Berman, the CEO of Tricon Residential, a publicly traded company based in Toronto, Canada.[15]

At the time, and backed up by recent SEC filings, Tricon Residential owned about 29,000 homes in the US (their website showed an infographic listing 35,262 single-family rental homes, as well as 7,789 stabilized multifamily rental apartments as of September 30, 2022). After they purchase single-family homes, Tricon turns them into rental properties. They are also building new single-family homes with the express intention of renting them, not selling them.[16]

Tricon's 2021 annual report also called out their targeting of the "middle-market" demographic: "Tricon's U.S. single-family rental strategy targets the 'middle-market' resident demographic which consists of over seven million U.S. renter households (source: U.S. Census Bureau). The Company defines the middle-market cohort as those households earning between $70,000 and $110,000 per year and with monthly rental payments of $1,300 to $2,100. These rent levels typically represent approximately 20–25% of household income, which provides each household with meaningful cushion to continue paying rent in times of economic hardship."[17]

Tricon highlights that the middle-class demographic has stable cash flow and the potential to be long-term renters. Tricon's success hinges upon these middle-class individuals renting the American Dream.

Tricon couches the benefits as such: "Tricon offers its residents economic mobility and the convenience of renting a high-quality, renovated home without costly overhead expenses such as maintenance and property taxes, and with a focus on superior customer service."[18] That's quite the spin on not building equity and wealth.

60 Minutes also mentioned the scope of several other companies, noting, "Invitation Homes owns more than 80,000 rental houses, American Homes 4 Rent close to 60,000."[19]

In the fourth quarter of 2021 alone, corporations bought 80,000 homes, which was about 18 percent of all single-family homes sold during that quarter. While not all of those corporate buyers were large corporations (some were small landlords with corporate entities), it is a staggering number and more than 24,000 units higher than the same quarter in the prior year.[20]

It's not just these corporate entities on a stand-alone basis. Working with companies like Tricon and their competitors, some of the biggest names in finance have poured hundreds of millions of dollars into backing the purchase of single-family homes. The names include, through their various entities and whether as investor or lender, BlackRock, the largest asset manager in the world and purveyor of ESG ideals, Blackstone, JPMorgan Chase, Goldman Sachs, and Capital One, among others.[21]

Adding well-capitalized corporate demand affects the single-family housing market and creates pricing pressure in any environment. Adding that to an environment with major supply constraints means that either individuals

have to pay more for homes or they are priced out altogether. This is hurting potential homebuyers, including the very large cohort of millennials who are now in the prime age range for home ownership but are finding they can't afford one.

So, with an undersupplied market, corporate buyers—who are flush with Fed-enabled cheap capital and who can waive a whole host of purchasing requirements, including inspections or even viewing a home—make formidable competitors to the average new homebuyer.

Ultimately this puts home ownership outside the reach of millions upon millions of Americans. As Tricon's Berman said to *60 Minutes*, instead "[y]ou can rent the American dream."

That sounds an awful lot like "you will own nothing and be happy."

The way these corporations explain their investment opportunity is insightful.

The Tricon annual report says that "what may be a 'golden decade' for residential assets" has been ushered in and accelerated by Covid policies and resulting behaviors and outcomes. They note:

> Our core single-family rental (SFR) business has been a massive beneficiary of these drivers—record operating metrics and capital inflows have accelerated the institutionalization of the industry, probably by years. Consider some remarkable facts that offer evidence of these exceptional demand trends: in any given week, Tricon has only 200 to 300 homes available for rent but receives up to 10,000 leasing inquiries; Tricon raised more private capital in 2021 than in its previous 32 years of operations combined; and in the past fiscal year, Tricon's market capitalization more than doubled to $4.2 billion (C$5.3 billion).

While the average American is dealing with inflation, corporate buyers have benefited from access to tons of capital at cheap costs, exacerbating the imbalance between the individual and corporate buyer. And people are clamoring to rent not only because they can't afford to buy, but because the rental market is incredibly tight, too.

Tricon sees this as a huge opportunity for them—a "golden decade," for Pete's sake! The flip side of their "opportunity" is that it shifts individuals from owning their biggest wealth-creating asset to not owning a home at all.

Tricon calls the single-family rental market a story of "capital finding opportunity that didn't previously exist." They tout the strength of their opportunity, saying, "our story is even more compelling because this opportunity arose in the largest and most fragmented asset class in the

world." They plan to increase their portfolio of single-family rental homes to 50,000 in just a few years (by the end of 2024).

The story in housing is also one of consolidation of landlords, taking opportunities from smaller landlords and shifting them to the larger ones. Tricon's annual report says, "Over the past decade, the U.S. SFR industry has matured from a largely mom-and-pop cottage business to a professionally managed, institutional-caliber asset class."

Perhaps most staggering is the way access to housing is portrayed. The report states, "Single-family rentals can help solve housing affordability issues by providing an alternative to homeownership, enabling Americans to live in a quality, well-maintained single-family home that they may otherwise be unable to afford or obtain a mortgage to purchase."

This misses the point altogether. Individuals want to be able to afford to buy a house. This does nothing but make that harder for them.

Tricon says they are "Doing Our Part to Solve America's Housing Shortage."

> Today's housing affordability issues and rapid home price appreciation are being fueled by a lack of available inventory. New supply continues to be severely restricted by environmental restrictions, not-in-my-backyard (NIMBY) politics, a shortage of qualified trades and most recently supply chain bottlenecks that have lengthened build cycles and increased construction costs. . . . To suggest that institutional landlords are responsible for extreme home price appreciation, as some have insinuated, is not only a form of scapegoating but also irresponsible in that it fails to address America's inverted housing supply-demand fundamentals.

Okay, but adding in well-funded, new buyers with cheap capital certainly exacerbates that problem!

But Tricon has a solution.

> Given the broader housing scarcity and rising demand for single-family rentals, Tricon and other participants in the SFR industry are actively trying to address the housing shortage by building new rental communities rather than only acquiring existing homes to meet demand. These build-to-rent single-family communities (BTR) are designed exclusively for rent with amenity packages that frequently rival those of multi-family properties.

They have already identified the scarcity issues in terms of policy that is impacting building, including scarce labor supply and "qualified trades," as they put it, and other issues. Taking land that could be used for new homes that are available to buy, taking labor that could be used to build homes for sale, and using up limited permitting availability for rentals certainly takes away the opportunity for homes to be built that could be bought by

individuals. This again shifts wealth creation to the corporate owners and their shareholders instead of leaving it to be claimed by an individual.

Ultimately, Tricon sees these shifts as a trend and a moneymaker for them. They say, "There is a significant runway for growth in the single-family rental industry as only ~3% of the 16 million rental homes in the United States are institutionally owned (source: Green Street U.S. Single-Family Rental Outlook, January 2022)."

Ironically, Tricon, as well as many of the other financial partners involved in this market, touts their commitment to ESG. They have a separate ESG annual report, and mention that their "newest Board member, Renée Glover, is an expert in building communities and affordable housing, and is passionate about ESG." What puts the *S* in social commitment more than taking away wealth-creation opportunities through converting more of the largest driver of household wealth, the homes, into non-owned rental properties?

Invitation Homes is another corporate buyer. Founded in 2012, they are 2.5 times the size of Tricon, with more than 80,000 homes available for lease in sixteen different geographic markets as of the end of December 2021, according to their 2021 10-K filing.[22]

Invitation Homes is under the impression or at least selling the impression that you don't want to own a home. Their 10-K says that they "are meeting the needs of a growing share of Americans who prefer the ease of leasing over the burden of owning a home."

I think they have missed the point. Based on my research, most people who don't own a single-family home for their primary residence can't afford to do so; it's not because of an easy-breezy lifestyle choice.

Of course, this is for the social good. Their 10-K filing states, "At Invitation Homes, we are committed to creating a better way to live and to being a force for positive change, while at the same time advancing efforts that make our company more innovative and our processes more sustainable. Environmental, social, and governance ('ESG') initiatives are an important part of our strategic business objectives and are critical to our long-term success."

Again, the definition of "social" seems to be fairly expansive.

They try to explain further:

> As one of the nation's leading home leasing companies, we have an opportunity and responsibility to contribute to a more inclusive, equitable, and sustainable world. Our mission, vision, and values

> define our daily actions in delivering on our pledge to be a responsible corporate citizen. Our mission statement “Together with you, we make a house a home” reflects our commitment to a resident-centric business philosophy. . . . We believe that integrating environmental, social, and governance initiatives into our strategic business objectives is critical to our long-term success. In 2021, we completed a formal ESG materiality assessment to identify opportunities for us to make the biggest impact in the areas that our stakeholders prioritize.

Apparently their vision for an inclusive and equitable world does not include home ownership. I guess if nobody owns a home and everyone is a renter, then everyone is on equal and just footing!

Like Tricon, Invitation Homes has growth plans for the future: “We have amassed significant scale within our 16 markets. In these markets, our acquisition strategy has been, and will continue to be, focused on buying, renovating, and operating high quality single-family homes for lease that we believe will appeal to and attract a high quality resident base, that will experience robust long-term demand, and that will benefit from capital appreciation.”

The capital appreciation they are looking for is the value appreciation that would normally go to the homeowner, shifted now to the corporate owner.

So, how does Invitation Homes secure these prime properties with capital appreciation opportunities in great neighborhoods? They “collaborate with local market real estate brokers and others, and we leverage these relationships to source off-market acquisition opportunities.”

This means they are using their leverage as a repeat buyer, paying in cash without many of the same contingencies that individual buyers would have, to secure preferential access to properties before they hit the market.

American Homes 4 Rent is another major corporate owner of single-family homes that they rent out. According to their 2021 annual report, they had 57,024 single-family residential properties across twenty-two states as of December 31, 2021.[23]

They note that they also sometimes engage in bulk purchases of homes, and that “[i]n addition to our traditional MLS acquisition channel, we continue to acquire newly constructed homes from third-party developers through our National Builder Program.”

Like others in the market, they are also focused on building new units for rental.

And they are well capitalized.

In addition to facing corporate competition, they view the traditional homebuyer buying a home instead of renting as their competition. Their annual report says, “We face competition for tenants from other lessors of single-family properties, apartment buildings and condominium units, and the continuing development of single-family properties, apartment buildings and condominium units in many of our markets increases the supply of housing and exacerbates competition for tenants. . . . Additionally, some competing housing options, like home ownerships, may qualify for government subsidies or other incentives that may make such options more affordable and therefore more attractive than renting our properties. These competitive factors will impact our occupancy and the rents we can charge.”

It couldn’t be any clearer: more options for you to buy or lease hurts their business. *You* will own nothing, but *they* will be happy.

And what happens when corporate owners want to sell some of their portfolios of single-family rental properties? Well, many of them sell them to other corporate buyers, who can soak up the portfolios in their entirety. After a report in June 2022 came out that Starwood Capital Group was exploring selling about three thousand single-family rental properties in two portfolios, a well-known economic commentator who goes by the cheeky pen name “Rudy Havenstein” said in a newsletter, “Since we’ve now financialized everything on Earth (thanks Ben!), these homes will be sold to a couple of institutional landlords, not 3,000 young families.” (Note: the Ben he is referring to is Ben Bernanke, the former Fed chair who expanded this era of easy money policy during the Great Recession.)

This is a critical point that must be underscored. The Federal Reserve, along with the government, has created this unequal and untenable financial situation for Americans. In addition to accelerating a new financial world order globally, at home, they have enabled corporate wealth creation at the expense of the individual. Corporations are now fierce, well-funded competitors to the American Dream, the primary individual wealth creator.

David vs. Goliath

Adding to the challenges of the housing market, smaller landlords have been hindered by government-affiliated mandates that overstepped their legal boundaries. *Time* magazine ran a piece featuring eighty-one-year-old Greta Arceneaux, a landlord for a small number of rental units impacted by

government Covid-related eviction moratoriums. *Time* frames these mandates as part of the good-idea-to-bad-outcome model, saying, "While such policies were issued in good faith—they were designed to protect renters who have lost their incomes from losing the roofs over their heads, too—they have leveled a crushing blow to small, independent landlords, like Arceneaux, who rely on a handful of rental units for their livelihoods."[24]

Government interference in the market poisons market mechanisms. Government also always finds a way to favor the wealthy and well-connected and transfer wealth in that direction, regardless of how it may be packaged and promoted to "help the little guy."

The piece, pulling from a 2015 Census report, approximated the number of small or "mom-and-pop" landlords at around 47 percent of the rental market at that time. *Forbes* estimated mom-and-pops accounted for about 77 percent of the small building units, with just more than a third of those landlords being retired and having the rentals as their only source of income.[25] *Time* noted that while big real estate firms would benefit from more than $100 billion worth of CARES Act-related tax breaks, "mom-and-pop landlords, for the most part get nothing. (The CARES Act tax provisions remove caps on individuals' and businesses' ability to write off significant net operating losses, so the benefits go almost entirely to millionaires and billionaires who tend to have the largest balance sheets.)"[26]

Time further quoted Arceneaux, sharing her concerns: "'I don't understand how they can come up with all of this financial aid for the homeless, for renters, for agriculture, for big business, for airplanes,' says Arceneaux, who is a black member of the Coalition of Small Rental Property Owners, a California-based advocacy group that mostly represents black and Latinx landlords. 'And they're forgetting about the small mom-and-pop people that have two units or four units and serve such a great need in the community.'"[27]

The CDC, which was making the federal eviction moratorium mandates outside of its right to do so, was initially given a pass by the Supreme Court, as when the case was raised, the moratoriums had an upcoming expiration date. But in late August 2021, when the CDC sought to extend the federal eviction moratorium, it was rejected by the Supreme Court, which said it was up to Congress to be able to make such an authorization.[28]

That was too late for many small landlords who found themselves in a place all too familiar to the "little guy"; everyone else was bailed out or made whole, while they had to fend for themselves. One of my Twitter followers, @HeyBooBoo16, noted that she "was forced to sell a rental I had due to the government mandated people live in it for free for over a year & still demanded I pay my property taxes etc. . . . lost over $40,000 in rent. . . ."[29]

In addition to taking away wealth-creation opportunities from individuals, the corporate buyer trend is a loss for neighborhoods. Home ownership is a net positive for neighborhoods. People who own the residence where they live are more likely to treat the property with care and make further investments in the property and neighborhood. The neighborhoods become safer as people are more protective of and invested in (quite literally) their own property.

Owning a home gives people a sense of purpose, hope, and pride, along with the opportunity to create generational wealth. It gives neighborhoods more stability as well.

Filmmaker Adam Mariner of Anchor Productions followed a gentleman in Memphis, Tennessee, who was trying to make a difference in the community by helping his renters buy the properties. The renters talked about how doing so gave them "an opportunity to empower themselves." One said, "Knowing that you are paying to own something, versus renting from month to month, I am sure it's going to do something for the mental stability. I got a brother that's disabled and I've got a mother that's disabled, I don't want them to have a thought on not knowing where they're going to live two years from now."[30]

Home ownership is a path to changing people's lives for the better. Yet there's a threat of fewer people owning homes—you will own nothing.

Building Barriers, Not Homes

If helping people gain wealth via home ownership was a priority, it would be much easier and less costly to build homes. But the government, at all levels, keeps doing the very things that keep the American Dream a fantasy.

The National Association of Home Builders regularly studies the costs of regulations on the cost of new housing and its impact on affordable housing

in the country. These costs go hand in hand with regulations that make it harder to build, take longer to build, and more costly to build new housing.

The 2021 NAHB study found that regulatory costs across all levels of government were almost $94,000. That accounts for almost a quarter of the total average sales price of a new single-family home at the time the survey was conducted. This amount rose from $65,224 just a decade earlier.[31]

While certainly not all regulation is bad, and some costs are necessary to ensure safety, both the nominal amount and the increase in costs over the past decade point to the excessive level of regulation today.

Other local government policies that restrict building and put up barriers to housing add to the challenge of home ownership for the average American.

Increasing levels of property taxes at the state and local levels also impact home ownership. I personally know several two-income families who had to sell their homes and move to new cities because their yearly property tax burdens doubled or tripled in very short spans of time.

Take Samantha and Payton. A dual-income, middle-class family, Samantha worked in the personal care industry, and Payton worked for a city of Chicago agency. The two worked, saved, and started a family with two beautiful boys. When their oldest was ready for kindergarten, they knew a good education was a priority. So, in 2004, they bought a home for just over $400,000 in the northwest suburbs of Chicago. The home, around three thousand square feet, was perfect for the four-person and two-dog family.[32]

At the time of purchase, the home's assessed property taxes were substantial: around $5,000 per year. But the family decided to stretch to make sure they could keep stability in their home for the boys.

The property taxes kept increasing. Samantha picked up a second job as a babysitter, and Payton picked up another job as well, working for a major transportation company.

Despite them both now working two jobs, the tax burden loomed large. Property taxes that started at $5,000 continued going up. Just fifteen years later, in 2019, their property taxes reached almost $16,000 per year. Samantha and Payton could no longer afford to pay the ongoing cost of living in their home.

Adding insult to injury, the skyrocketing costs of taxes put a damper on the value of homes in the area. Prospective buyers didn't want that burden, either. The family couldn't find a buyer for the house.

Samantha and Payton ended up making an additional $100,000 in improvements to the home to finally find a buyer at just about the same price they had paid back in 2004.

The local government had eaten into their wealth. Huge yearly tax payments chipped away at their savings and any potential equity they would have otherwise had in the house.

To find a place that they could afford with taxes, they moved to the next county. There they were able to afford only a 1,100-square-foot home, which still carried property taxes of $6,500 a year. They continually worry about when those taxes might increase and price them out of their home again, a scenario that has happened not just to them, but also to several of their friends. Some of those friends have moved into town houses, and others are now renting.

The Rent-to-Own Pipeline

Renting isn't a dream, either. A Census Bureau survey from June 1 to June 13, 2022, found that around 15 percent of renters (around 8.4 million renters) were behind on their rent payments. Bloomberg surmised that would likely increase, as many leases come due during summer months, and with the increasing housing market costs, landlords would likely boost rents to be more in line with the higher market rates.[33]

These numbers were higher for certain minority groups (black Americans were almost 25 percent behind) as well as prime earning age groups, such as people ages forty to fifty-four. The survey also said that 3.5 million households reported they were very or somewhat likely to be evicted from their home within two months.[34]

If you can't pay your rent, you are definitely not investing in anything, let alone getting ready to purchase a house.

Airbnb-ing the Neighborhood

In addition to corporations buying up homes to rent, technology has also incentivized investors to purchase homes to rent out by the day, week, and month. Tech platforms like Airbnb and Vrbo have created a massive market

for the renting of apartments and single-family homes as temporary or vacation locations.

In some cases, properties up for rent via platforms like Airbnb have taken over entire buildings and even entire neighborhoods. In locales like Galveston, Texas, rental homes are now overtaking meaningful chunks of the town.

In a Slate article, one interviewee talked about the lack of neighbors in their Austin, Texas, neighborhood, saying, "There are neighborhood streets where people used to hang out on their porches and talk. And now you see them replaced with these McMansions that people come into on the weekends and use to throw large parties and then take off." The piece continues, "The McMansions and large parties are possible because houses that used to be rented for a year by people who live in Austin are now rented for a weekend by people who just visit Austin."[35]

In Galveston, Slate estimated that since 2019, around one thousand short-term rentals have been added each year. At that rate, "about a third of the island's housing stock would be short-term rentals within the next five or six years."[36]

Not surprisingly, having a substantial number of homes that are functioning as short-term rentals has an impact on the housing market.

Zaiyan Wei, Wei Chen, and Karen Xie researched the impact of home "sharing"—like short-term and vacation rentals via Airbnb—on home and long-term rental prices. Wei said, "Airbnb is indeed making the real estate market more expensive." The study says, "By enriching its hosts while making housing less affordable for others, Airbnb and other home-sharing platforms may be compromising public affordability for private wealth." Wei added, "It's going to increase the gap between the rich and the poor."[37]

Of course, local governments have found ways to benefit from this trend. The Slate piece on Galveston said, "The city gets to take a 9 percent tax right off the top of every short-term rental. Another 6 percent tax goes to the state." The government wins while more housing is removed from the market for purchase. There is little evidence that any local governments are doing substantial work to make up for the supply decrease, whether by changing permitting rules to make it easier to build or otherwise.[38]

I am a capitalist at heart, and I have no problem with people finding new and unusual ways to make money. However, let's be clear: we are not in a free market when it comes to housing. Restrictive local laws and regulations,

government costs, and government meddling in the labor supply have created a nonfree, highly distorted market for housing. Amid this, people are losing home-buying opportunities.

The Barbelling of Housing Values

We have established that owning your primary residence is an important part of building wealth for most households and that it is becoming harder to do so. However, as a new financial world order has come about, even if you do own a home, if you are in the middle class you aren't benefiting quite as much as the already wealthy.

A report from the National Association of Realtors found that from 2010, around 71 percent of the increase in wealth in housing came from high-income households and that the share of housing wealth from middle-income households declined from 43.8 percent in 2010 to 37.5 percent in 2020. Low-income housing wealth fell even more, to "19.8% in 2020, from 28.2% in 2010."[39]

The *Wall Street Journal* reported from that study that "[i]n 2010, high-income homeowners held 28% of all U.S. housing wealth. By 2020, that figure rose to 42.6%."[40]

Another *Journal* piece noted that "Americans in the middle-class income levels experienced significant declines in buying power" and that the supply of affordable homes was shrinking.[41]

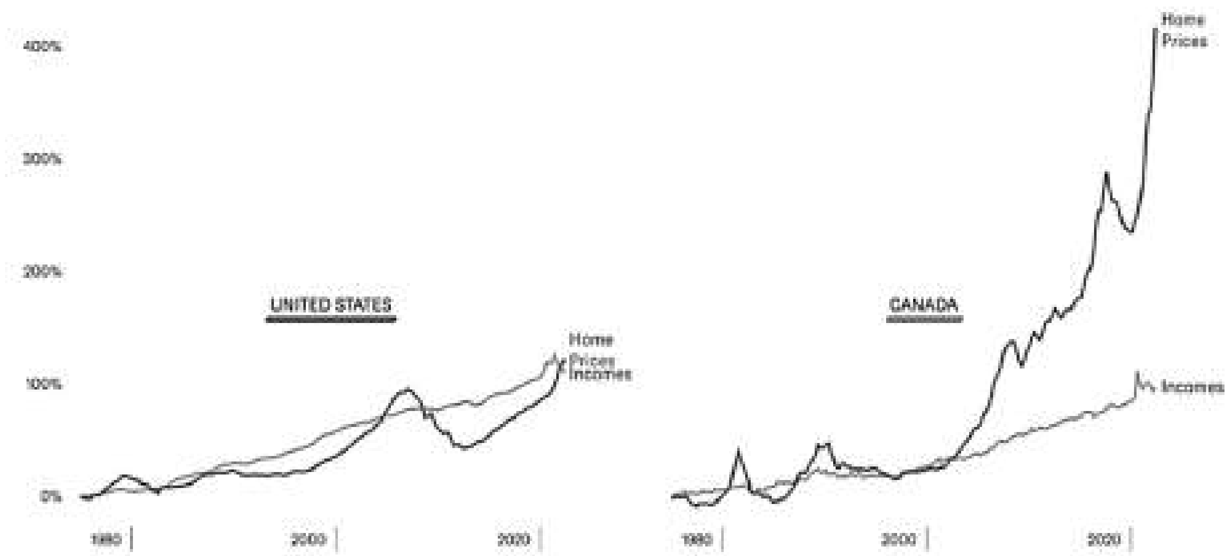
The National Association of Realtors' affordability study comparing 2021 to 2019 found that "[h]ouseholds earning between $75,000 and $100,000 could afford to buy 51% of the active housing inventory in December [2021]."[42] That is a substantial seven percentage point decrease from 58 percent in December 2019. The decline for households earning between $100,000 and $125,000 was eight percentage points.

Keeping first-time buyers out of the market delays their start date in building wealth. The *Journal* notes that this could not only reduce their future "nest eggs" but also make it more difficult for those buyers to ever enter the market because of the parallel rises in rents.

Despite the trends in lack of affordability in the US housing market, it is better than its neighbor to the north, Canada, which serves as a warning sign for what the trajectory of housing could become. Below is an analysis

showing that housing prices have completely decoupled from disposable income in Canada.

Real Home Prices vs. Real Disposable Income; United States vs. Canada; Percent Change; Q1 1975 to Q1 2022



Source: Sam Dogen, Financial Samurai; reprinted with permission. Full source data at https://www.financialsamurai.com/what-if-the-u-s-housing-market-turned-into-the-canadian-housing-market/.

This is resulting from institutional investor purchases and a large number of foreign buyers, including Chinese buyers, as well as building being restricted by provincial and local governments. The housing-cost crisis led Canadian prime minister Justin Trudeau in April 2022 to institute a two-year ban on foreign investors buying homes in Canada.[43]

Foreign buyers have played a material role in the US housing market as well, but they have had nowhere near the impact that we see in Canada. Statista valued the sale of US property to foreign buyers for 2021 at $54.4 billion.[44]

Foreign investment in the US housing market is coming heavily from Canada, Mexico, and China, with the latter playing a smaller role in recent years. Statista has said that such foreign buyers “prefer properties in suburban areas to properties in small towns and central areas of major cities.

This is probably why an overwhelming share of sales is detached single-family homes."

Statista also surmises, after speaking with real estate agents, that around 37 percent of these homes end up being rented out by their foreign buyers.

It's not that any one of these factors, like foreign ownership of housing, is a problem in and of itself; it is the sum of all the issues, given the financial backdrop we face going forward.

Buying Land and Water

As we consider the role of reduced access to real estate investments in the future prediction that you will own nothing, I would be remiss not to cover access to the most basic human needs, like food and water.

I know that it is hard to imagine that in a land of abundance like the US, we would one day not have enough food and water to sustain us. But, as the new financial world order comes about, that is a real threat.

I will also mention that, as Thomas Sowell pointed out in *Basic Economics*, in many countries that have faced starvation under centrally planned regimes, it wasn't for an actual lack of food. Rather it was that these entities couldn't get food to the people who needed it, letting the food spoil and the people starve.

If you control a large portion of the food and water supply, you can ultimately control the people.

Land, including farmland and land that has attached water rights, has become a favored investment of the wealthiest individuals, hedge funds, and university endowments that resemble hedge funds. Bill Gates, Jeff Bezos, John Malone, and Harvard University's endowment are just some of the names grabbing up land across the country.

A 2021 CNBC report found that one hundred private landowners owned nearly 2 percent of all the land available in the US, with the majority of that being productive land—ranches, farmland, and forests.[45]

The amount of land that wealthy private landlords hold has been increasing at an alarming clip. According to the *Land Report*, the top one hundred private landowners owned around 27 million acres of land in 2007; that number had increased to 40.2 million acres by 2017. The cutoff to make

the top one hundred went from around 76,000 acres in 2008 to 145,000 acres in just about a decade.[46]

John Piotti, CEO of the American Farmland Trust, put it in economic terms. He told CNBC that land is scarce (there is a finite amount of it), and that it is also decreasing in supply in terms of its useful value. He said the US loses two thousand acres of farmland per day (ostensibly due to usage) and that will lead to it becoming even more important—and valuable—over time.[47]

The value of land has also been more stable than other asset classes in times of extreme volatility. Eric O'Keefe, editor of the *Land Report*, told the *Washington Post* that during the Great Recession financial crisis, "productive land correction was less than five percent."[48]

According to the *Post*, "A 2015 paper by the Bureau of Economic Analysis estimated that the total value of land in the Lower 48 states was roughly $23 trillion in 2009, with $1.8 trillion of that value owned by the federal government."[49]

This has brought more institutional investors into the market for farmland. Steve Bruere, president of Peoples Company, a farmland brokerage, management, appraisal, and investment firm, said that "institutional capital is growing and it's becoming a bigger piece of the market. It's about a $3 trillion asset class when you look at the whole US."[50] That's a growing and material part of the overall land market.

These dynamics, among others, have helped push up the value of all kinds of land, including farmland, over the past several decades. According to the American Farm Bureau Federation, using US Department of Agriculture data, the average farm real estate value (which includes land and buildings) by acre was $926 in 1997. In 2022, it was estimated at around $3,800.[51]

Renting Farmers

The US Department of Agriculture estimates that approximately 30 percent of farmland is owned by people who don't actually farm the land themselves.[52] This sets up a scenario where a farmer can earn a living, but not benefit from the rising values of the underlying farmland.

Farmers who do own land today are, as noted by CNBC, often "asset rich but cash poor." They may find themselves in a position where they don't have the financial wherewithal to continue farming. So, they sell the underlying

asset, often to a wealthy individual or institutional buyer that is more than happy to snap it up.

This is land that has often been in the family for generations. Farmers make that short-term trade, giving up long-term wealth-creation opportunities.

This leads to the consolidation of ownership of land, food, and water, giving fewer people more control over the food supply.

Holly Rippon-Butler, Land Campaign director at the National Young Farmers Coalition, noted in the CNBC piece that there are not enough young farmers in the industry and that there are fewer farmers with every agricultural census, a disturbing trend in terms of consolidation and anti-diversification, which could impact our food security.[53]

This trend will only be exacerbated as the baby boomers who are currently farmers age out of farming and make legacy decisions regarding their farms. Peoples Company's Steve Bruere estimated that 50 percent of the farmland in the US will turn over in the next twenty-five years.[54]

Unfortunately, given the increasing costs and barriers to getting into farming and the appetite from sophisticated investors, it is likely that more and more farmland will be consolidated.

Per reports, Bill Gates has bought up land in more than eighteen states in less than a decade, using a variety of shell and affiliated companies. The *Land Report* estimated in January 2021 that Gates held around 269,000 acres at that time, and named him America's top farmland owner.[55]

Some of Gates's purchases have sparked outrage in local communities. When it was uncovered that a trust entity associated with Gates bought 2,100 acres of the former Campbell Farms farmland in North Dakota in June 2022, it made the news.

Local community members were unhappy with the purchase for several reasons. One was that Gates had no ties to the community. Another, as reported by the Daily Beast, was that the land "sold for less than what it could have brought within the community," intimating that the seller gave Gates a favorable price for other reasons, perhaps to "rub shoulders" with him.[56] *Agweek* reported that another source of angst stemmed from long-standing legal rules, saying, "North Dakota has an anti-corporate farming law that many people believe keeps large entities from owning farmland and

keeps farmland in the control of family farms. This case clearly shows there are workarounds unknown to many people."[57]

North Dakota's attorney general looked into the sale, given the anti-corporate purchasing law. The way the law was written, while corporations and limited liability companies (LLCs) cannot own farmland, individual trusts can, should they intend to lease out the land to farmers. Gates's purchase passed muster given its structure and received state approval.[58]

However, during the time Gates's Red River Trust owns the land, the trust, not the farmer, will benefit from any value appreciation of the land.

Gates's ambitions for useful land are not limited to the US. The *Daily Mail* mocked Gates's interest in creating sustainable farmland in Turkey in November 2021, writing, "Billionaire Bill Gates reportedly shopped for 'hundreds of acres of farmland' in Turkey while vacationing aboard a superyacht that emits an estimated 19 tons of CO_2 a day before heading to the climate change conference in Scotland."[59]

In addition, "green" initiatives are impacting farmland, including the ability to own and farm, as well as pricing. According to Governing.com, the Biden administration is paying "farmers more money not to farm." They say, "The goal is to add 4 million acres of farmland to the Conservation Reserve Program, which takes land out of production to blunt agriculture's environmental impact."[60]

Water Is Life

It's not just land and the food that may be able to be grown on it that has been targeted by investors, but also water. Water rights are complicated, but generally they grant the holder not ownership of water, but the right to take water from a specified source or sources for "beneficial use." In the case of land, the water may be underground on the property, or rights can be given related to other water sources such as rivers, lakes, streams, etc. Of course, "beneficial use" is also subject to interpretation and various shenanigans, as you might imagine.

On the farming side, the interest in water rights has been accelerating the consolidation of farmland, putting it into the hands of fewer individuals, according to the USDA. Their 2018 report, "Three Decades of Consolidation in U.S. Agriculture," discusses the role that seeking water rights has played vis-à-vis farmland. Analyzing the report, writer Eli Francovich said,

"Consider, in 1987, more than half of all U.S. cropland was operated by midsize farms that had between 100 and 999 acres of cropland, while 15 percent was operated by large farms with at least 2,000 acres, according to a U.S. Department of Agriculture 2018 report. . . . [O]ver the next 25 years, those numbers shifted dramatically. By 2012, farms with 100–999 acres held 36 percent of cropland, the same share as that held by large farms."[61]

University endowments are also changing the game for land and water. The *Wall Street Journal* reported in 2018 that Harvard had been buying thousands of acres of California vineyards for around six years, which, in December 2018, were estimated to be worth, on a combined basis, more than $300 million and to have increased in value threefold since 2013.[62] Harvard started out in stealth mode under affiliated entities, including one named Brodiaea. The *Journal* wrote that in acquiring these vineyards, Harvard was "acquiring rights to vast sources of water in a region where the earth's warming is making the resource an ever-more-valuable asset."[63]

One rancher who raised cattle and grew grapes was surprised at the prices the entity was willing to pay, saying, "A conventional agricultural business's returns couldn't have justified those prices."[64]

The *Journal* also reported that the day before a local emergency moratorium on "new agricultural wells" was put into effect, "Harvard's Brodiaea filed for permits to drill seven wells deeper than anything else in that part of the county—enough to fill an Olympic-size swimming pool in 90 minutes. One well hit water at 112 feet, but the driller completed the well to 1,200 feet deep, county records show. This would allow it to keep drawing water, even if droughts dropped the groundwater level further."[65]

This rocked the local community, with residents concerned about Harvard having "an outsize influence on the future of groundwater use, leaving smaller rural residents without a voice."[66] Another concern was that the water might be diverted from the area in the long run. One local vineyard owner reportedly wrote to Harvard Management's president, taking issue with the use of LLCs to hide Harvard's activities.

The piece then said, "A Harvard official responded that its investment was 'purely agricultural in nature' and that the vineyards prioritized water conservation."[67]

A 2012 Harvard endowment report stated that natural resources were a targeted asset class "because we believe its physical products are going to

be in increasing demand in the global economy over the coming decades."[68]

Harvard's interest in this area remains opaque. In 2020, Wine Industry Insight reported that "[t]wo Harvard-controlled LLCs have deeded over 7,104.74 acres of land in northern San Luis Obispo County for an estimated $120.14 million (based upon $132,159 paid in county real estate transfer taxes). It is unclear whether this was an actual sale or a method for the Harvard LLCs to pull cash out of the assets."[69]

A search of the records of California's secretary of state does show a statement of information filed by Brodiaea Inc. as recently as April 26, 2022.[70]

Water is life, and Americans love life—and water. According to the *Atlantic*, "America consumes more water per capita than just about any other country—more than three times as much as China, and 12 times as much as Denmark." Water isn't used evenly throughout the country. Those in more arid locations tend to use the most. Not including purposes such as power or agriculture, individuals in those drier locations need more water to keep their lawns green as they aren't seeing as much rainfall. Given the warm weather year-round, they also may be filling swimming pools.[71]

The *Atlantic* claims that citizens make "extravagant use" of water "despite scarcity because water is kept artificially cheap." They argue that the amount we pay for water is a tiny fraction of the cost of the infrastructure to deliver it, although I would argue that while it may not be broken out, we pay very handsomely for everything via taxes, including infrastructure. The *Atlantic* breaks out the disparity in water pricing, writing, "Some city users pay $1 for 1,000 gallons. On farms, water is even cheaper. One thousand gallons of agricultural water in western states can cost as little as a few pennies."[72]

This type of thinking has made water ripe for investors to figure out how they can profit from it. That would be a red flag in normal times. However, it is even more concerning given the confluence of factors and individuals shepherding in a new financial world order. It's staggering to think about water being withheld, in whole or in part, because of social credit or wrongthink.

A *New York Times* piece in 2021 focused on a town in Arizona called Cibola that sits along the Colorado River. They note that a few years back, a subsidiary of MassMutual called Greenstone "quietly bought the rights to

most of Cibola's water. Greenstone then moved to sell the water to one of the right places: Queen Creek, a fast-growing suburb of Phoenix 175 miles away, full of tract houses and backyard pools."[73]

The contention was not so much about the transfer, but rather the players. The *Times* wrote, "Transferring water from agricultural communities to cities, though often contentious, is not a new practice. Much of the West, including Los Angeles and Las Vegas, was made by moving water. What is new is for private investors—in this case, an investment fund in Phoenix, with owners on the East Coast—to exert that power."[74]

A county supervisor voiced her concern that the institutional investors would make big money on the backs of the rural counties, which would suffer.[75]

Grady Gammage Jr. of Greenstone was quoted as saying, "The market would say water is far more valuable serving urban populations."[76]

The flip side of this is that it is seen as less valuable in rural communities, including for agricultural use—which is great in theory, but not so great when you need to eat.

That feeds into the concept of more central planning in the new financial world order. Those who think they are "smart" and "know better" will want to direct water resources to their "better uses." But "better" according to whom? We know that this type of thinking has caused all kinds of economic disasters, from stoking historic inflation to a global shortage of fossil fuels. It is incredibly concerning that this thinking is now directly linked to water and, by extension, food.

The possibility to financialize the most important resource for our being, water, has attracted all kinds of large investors to focus on it. The *Times* quoted Matthew Diserio, the president and cofounder of the hedge fund Water Asset Management (WAM), as saying that the US water business is "the biggest emerging market on earth" and "a trillion-dollar market opportunity."[77]

WAM has been investing heavily in water-related investments in and around Colorado, including spending millions of dollars on agricultural land with senior water rights in western Colorado's Grand Valley.[78]

While WAM is leasing its farms to farmers, officials in the community have concerns over its long-term plans. Part of that stems from the company's website, which notes, "Water Property Investor, LP (WPI) will invest

primarily in a diversified portfolio of water resources, in the water-stressed Western U.S., purchased at agriculture value. These resources shall then be repackaged and repurposed and sold to higher value municipal, industrial and environmental consumers. . . ."[79]

In addition to private deals to repurpose and repackage water, there is growing support for the creation of a full trading ecosystem around it—a path to the financialization of water.

The *Times* wrote, "Private investors would like to bring in or amplify existing elements of Wall Street for the water industry, such as futures markets and trading that occurs in milliseconds. Most would like to see the price of water, long set in quiet by utilities and governments, rise precipitously. Traders could exploit volatility, whether due to drought, failing infrastructure or government restrictions. Water markets have been called a 'paradise for arbitrage,' an approach in which professionals use trading speed and access to information for profit. The situation has been compared to the energy markets of the late 1990s, in which firms like Enron made money from shortages (some of which, it turned out, traders engineered themselves)."[80]

With names like Enron being thrown about and the recent derivatives market implosion related to housing in 2007–2009, this has serious potential implications.

This entire scenario fits well into the good-idea-gone-bad model. The *Times* said, "The proponents of water markets say they are not in it just for the money." Of course not; they want to see water moved to the "highest and best use," according to them, of course. Why should someone be able to grow crops in the West and make sure their community is sustainable and not have to rely on agriculture elsewhere? It all sounds like a great idea until it impacts you negatively.

Moreover, the benefits gained will likely be reaped by those who already have the wealth, clout, and connections. You will own nothing—or worse, you will have to ration your showers and your drinking water. You may not be able to have access to healthy, real foods. And that's before any social credit is considered. Water is life, and the worst-case scenario is not having enough water to live.

So, water, land, and housing will be at the center of a fight between the political elite, elite businesspeople, activists, other racketeers, and you. What could go wrong?

Chapter 9

Worthless Paper

How the Government's Predatory Education Lending Creates Indentured Servants

Education is what remains after one has forgotten what one has learned in school.

—Albert Einstein

The opposite of creating wealth through the ownership of appreciating assets is the accumulation of liabilities and debts.

Debt can be useful in helping to increase your return on assets, such as when appropriately used to purchase a home or education that delivers a good return on your investment (ROI). In layman's terms, it means you use the debt to make a bigger investment than you could without it, and, over time, if the appreciation on the asset you receive substantially exceeds the cost you had to pay for the debt (including the interest costs and the repayment of the principal amount), the amount you make is enhanced.

However, in certain arenas, debt is being pushed and utilized in a way that is decoupled with achieving ROI. The biggest arena in which this is happening is college debt. In the US, college attendees, whether they had graduated or not, owed $1.6 trillion in college debt principal, aggregately, as of mid-2022.[1]

Now, the nominal amount owed isn't an issue on its own. Individuals have debt related to all kinds of assets and wealth-improving situations. The problem is when loans don't generate an appropriate financial return. College and similar educational loans should be able to be paid back in three to five years to generate an appropriate ROI. If you have to go to graduate

school and that lifts your earnings substantially—well into the six figures or more—maybe seven years is okay for payback, but no more than that.

That is not the case for millions of Americans today.

To put it bluntly, college and university degrees have become the biggest legal financial scam in the country, and the US government has morphed into the largest predatory lender in support of it.

Individuals, sometimes even minors with parents cosigning or young individuals who have just turned eighteen, sign up for substantial financial commitments that delay or hinder their ability to create wealth if they can't generate an appropriate investment return. It can even burden their families.

In the age group of thirty-five to forty-nine years of age, 14.5 million Americans still hold more than half a trillion dollars in college loan debt principal (estimated at $630 billion). Over the age of fifty, 8.9 million Americans are still dealing with $393 billion in college debt. None of this includes the interest cost on that debt, which can be substantial, despite the overall low interest rate environment of the last decade and a half.

Amount of Student Debt Owed by Age Group, as of June 30, 2022

Age	Amount Owed ($ in Billions)	Number of Borrowers
24 or younger	$101.7 Billion	6.9 Million
25 to 34	$495.4 Billion	14.9 Million
35 to 49	$629.5 Billion	14.5 Million
50 to 61	$288.9 Billion	6.4 Million
62 and older	$103.9 Billion	2.5 Million

Source: Federal Student Aid; Portfolio by Age and Debt Size, as of June 30, 2022, https://studentaid.gov/data-center/student/portfolio.

The profiteering college education structure is having a major impact on economic freedom and wealth creation for young individuals, as it does not enable a good financial return, or any return on investment in some cases, for too many of those buying educations. Individuals aren't contextualizing their

choices about what they want to do and what they may need to do to fulfill their future objectives.

An investment that should be delivering a financial return in a matter of a few years has morphed into a financial burden for millions of people for an extended number of years, with some still burdened with college debt when they are old enough to be eligible for AARP.

This indebted youth-to-college pipeline has ultimately transferred a ton of wealth from young people to colleges and universities at the expense of the young setting out on a path to generate their own wealth.

The power structure of the elites working together has gotten us to a point where university endowments are buying up land and water rights, and college graduates aren't even able to get out of debt, let alone start to make investments.

The Racketeering of Higher Education

The good-idea-to-bad-outcome model has found its ideal victims in those seeking higher education.

First came the wholesale push for education. Now, I believe in education. I think that education is important, learning is a valuable lifelong endeavor, and being well educated is typically an ingredient of success.

However, there are a few truths that need to be addressed.

- Learning is not the same as accreditation.
- Education is not valuable at any price.
- Not all education is equally valuable.
- Paying for the college experience is different than paying for a college degree and must be approached as such.
- The financing of education today is a predatory racket.

People have come to erroneously believe that education has value and, therefore, more education has more value. They believe that education is good and, therefore, higher education will lead to better job opportunities.

This historically has been the case at face value. Those with college degrees, generally and on average, would earn more than those without degrees (again, in general and with exceptions).

This thinking has created an immense number of profiteers, from college preparatory services to the colleges themselves, cheered on by the useful idiots saying that you must go to college, without context.

The profiteers used the cheerleaders to get the message into the zeitgeist that "education is valuable" versus "education is valuable only up to a certain price." While in some respects, being educated (at least in the right things) is "priceless," most young people specifically pursue a college education for the express purpose of increasing the amount of money they make over their careers. While you will hear many on the left call education a "right," it is not—it is an investment.

You can become educated basically for free; many Ivy League and other top-tier schools like MIT have put almost their entire coursework online, accessible at no cost. The democratization of technology and unparalleled access to information means that it has never been easier to educate yourself than it is today.

So, it is not really the education that is being valued; it is the accreditation. What a young person (and sometimes older individuals, too) wants is the piece of paper or the letters after their name that they believe will signify a better chance at improving the amount they can make or getting into a field that they desire that requires such accreditation.

That is an investment. You put out money to get a return on it. Like any other investment, the amount one is willing to pay for it should be based on how much of a return is made from the investment.

Again, I use these terms in their monetary context. It is not to say that lower-paying jobs, like social work, aren't valuable. They have intangible values. But monetarily, social work has a relatively fixed pay scale, and if you pay multiple six figures for an opportunity to do social work, you aren't going to be seeing that same amount of return, or likely any return, and it will impact your ability to create future wealth if you take on debt to finance that. Therefore, the accreditation for that work should cost less than work that has a higher associated pay structure (and in a free market, it would).

The second myth is that more education is directly correlated with the quality of the education. While an Ivy League institution is certainly regarded more highly than a midtier state school, the issue goes deeper. An engineering degree is going to likely land you a higher-paying job than an underwater-basket-weaving degree, and no differentiation is being made for that in the

loan process, in the cost of the degrees from the colleges, or by the evaluation of most students and their families.

Duke University recently launched a class called "Building a Global Audience," which is known around the campus as "the TikTok class."[2] While I think it is smart to teach people the ups, downs, and business of social media and how difficult it is to make a living as an influencer (as well as to hopefully tell people you need to be influential before you can be an influencer), you can learn about that online. Duke costs around $80,000 a year for tuition, room, and board, before aid.[3]

At least the TikTok class has some useful value and isn't destructive, which is more than can be said for many classes taught at the university level.

Getting a degree has found many young people struggling to find work commensurate with the value of their degrees. Racking up advanced degrees doesn't necessarily lead to advanced pay, leaving young people heavy in MFAs and PhDs, but not the letters that matter—ROI (return on investment).

With all this in mind, there are a few things we need to look at more deeply.

One is the relative value of college earnings to the earnings of those who don't go to college at all.

Second, the exploding costs of college mean that you are paying substantially more to make more, and the college costs are increasing faster than wage gains.

Third, the immense sticker price of education is leading more young people to take on substantial debt (the average debt load for those with college loans is around $29,000 to $40,000 in the US today, depending on the source).[4] It's estimated that more than 2.5 million borrowers have more than six figures in debt.[5] This means that while an individual may earn a bit more each year, their ability to start generating wealth is hindered.

This entire scenario has become a profiteering racket and a wealth transfer from young people to colleges and universities, the cottage industry around them, and, of course, ancillary financial services companies. And it has been aided and abetted by the government.

What many college graduates end up owning is a piece of paper worth less than they expected, or, sometimes, a worthless piece of paper.

Not surprisingly, not all college degrees and the jobs attained with them are created equal. As shown in a recent study by Georgetown University, the amount that someone makes is highly correlated to their field of study,

occupation, and industry, as well as other factors such as location and demographics.[6]

The New York Fed's recent study on the labor market and recent graduates shows an overall median salary mid-career of $72,000 for degree holders. Those with degrees in education and fine arts are well under that amount by mid-career, while degrees related to biochemistry, finance, and engineering are well above it.

See the labor market outcomes chart for the breakdown by major.

On the profiteering front, despite educational careers having the lowest mid-career salaries per the chart, most states require at least a bachelor's degree in order to teach at a taxpayer-funded public school (this isn't always the case for private or charter schools). Of course, the profiteers protect other profiteers.[7]

While candidates may find that a master's degree enhances their prospects of finding a job, particularly in competitive school districts, the pay isn't a lot more.[8] The director of recruiting for the Syracuse City School District told local outlet CNY Central in mid-2022 that their "newly negotiated teacher contract provides new hires who have a master's degree with a $54,400 salary, and those with a bachelor's degree $51,000."

As we look at the value of education, the New York Fed has charted unemployment rates for college graduates versus all workers, and not surprisingly, the college graduate unemployment rate tracks lower than the group as a whole.

Labor Market Outcomes of College Graduates by Major, Updated February 9, 2022

Major	Median Wage Early Career	Median Wage Mid-career	Share with Graduate Degree
Early Childhood Education	$36,000	$43,700	38.8%
Elementary Education	$39,000	$45,400	47.4%

Social Services	$35,000	$50,000	50.5%
Family and Consumer Sciences	$32,000	$51,000	33.5%
Secondary Education	$40,000	$52,000	49.6%
Special Education	$40,000	$52,000	61.8%
Theology and Religion	$36,600	$55,000	43.5%
Health Services	$40,000	$58,000	51.1%
Liberal Arts	$37,400	$60,000	30.4%
Nutrition Sciences	$44,600	$60,000	43.7%
Psychology	$37,000	$60,000	50.4%
Anthropology	$36,000	$60,000	48.8%
Fine Arts	$38,000	$60,000	22.7%
Performing Arts	$34,000	$60,000	38.5%
Sociology	$40,000	$61,000	37.7%
Leisure and Hospitality	$38,000	$63,000	32.8%
Philosophy	$44,000	$65,000	55.7%
Criminal Justice	$40,000	$65,000	22.5%
General Social Sciences	$34,000	$65,000	38.3%
Medical Technicians	$48,000	$65,000	22.4%
History	$40,000	$65,000	50.2%
Agriculture	$44,000	$66,000	21.6%

Public Policy and Law	$50,000	$66,000	43.7%
Foreign Language	$38,000	$67,000	50.9%
Journalism	$40,000	$68,000	26.2%
Mass Media	$41,500	$69,000	18.6%
Environmental Studies	$40,000	$70,000	31.5%
Ethnic Studies	$40,000	$70,000	49.5%
Biology	$40,000	$70,000	63.1%
Commercial Art &and Graphic Design	$40,000	$70,000	12.0%
Business Management	$45,000	$70,000	24.0%
Nursing	$55,000	$71,000	28.3%
Overall	$45,000	$72,000	38.2%

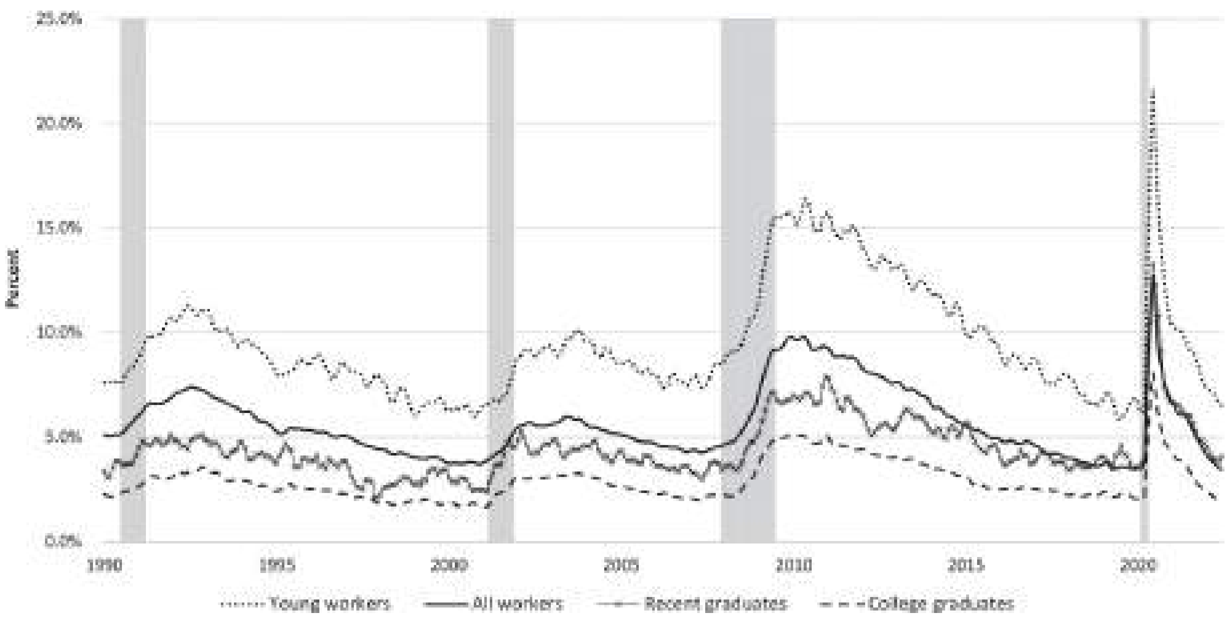
Major	Median Wage Early Career	Median Wage Mid-career	Share with Graduate Degree
Communications	$43,100	$74,000	23.3%
Geography	$46,000	$74,000	34.0%
Chemistry	$45,800	$75,000	64.3%
Earth Sciences	$42,000	$75,000	44.1%
General Business	$45,000	$75,000	24.7%
Accounting	$52,000	$75,000	30.3%

Advertising and Public Relations	$45,000	$78,000	20.4%
Physics	$55,000	$80,000	68.3%
Political Science	$46,000	$80,000	52.2%
Art History	$40,000	$80,000	44.2%
Marketing	$47,000	$80,000	17.6%
Architecture	$50,000	$81,000	41.0%
Information Systems &and Management	$52,000	$81,000	25.0%
International Affairs	$48,000	$82,000	45.0%
Mathematics	$53,000	$85,000	51.7%
Biochemistry	$40,000	$86,000	71.6%
General Engineering	$62,000	$90,000	37.3%
Economics	$60,000	$91,000	41.3%
Industrial Engineering	$69,000	$93,000	39.4%
Construction Services	$60,000	$94,000	9.8%
Business Analytics	$60,000	$95,000	23.5%
Finance	$60,000	$95,000	30.2%
Computer Science	$70,000	$100,000	31.8%
Civil Engineering	$63,000	$100,000	37.0%
Pharmacy	$45,000	$100,000	62.2%

Mechanical Engineering	$68,000	$104,000	40.1%
Electrical Engineering	$70,000	$107,000	47.4%
Aerospace Engineering	$70,000	$110,000	51.8%
Computer Engineering	$74,000	$110,000	41.4%
Chemical Engineering	$70,000	$111,000	49.8%

Source: Federal Reserve Bank of New York, Labor Market for Recent College Graduates, updated February 9, 2022, https://www.newyorkfed.org/research/college-labor-market/index.html#/outcomes-by-major, via US Census Bureau, American Community Survey (IPUMS); US Department of Labor, O*NET.

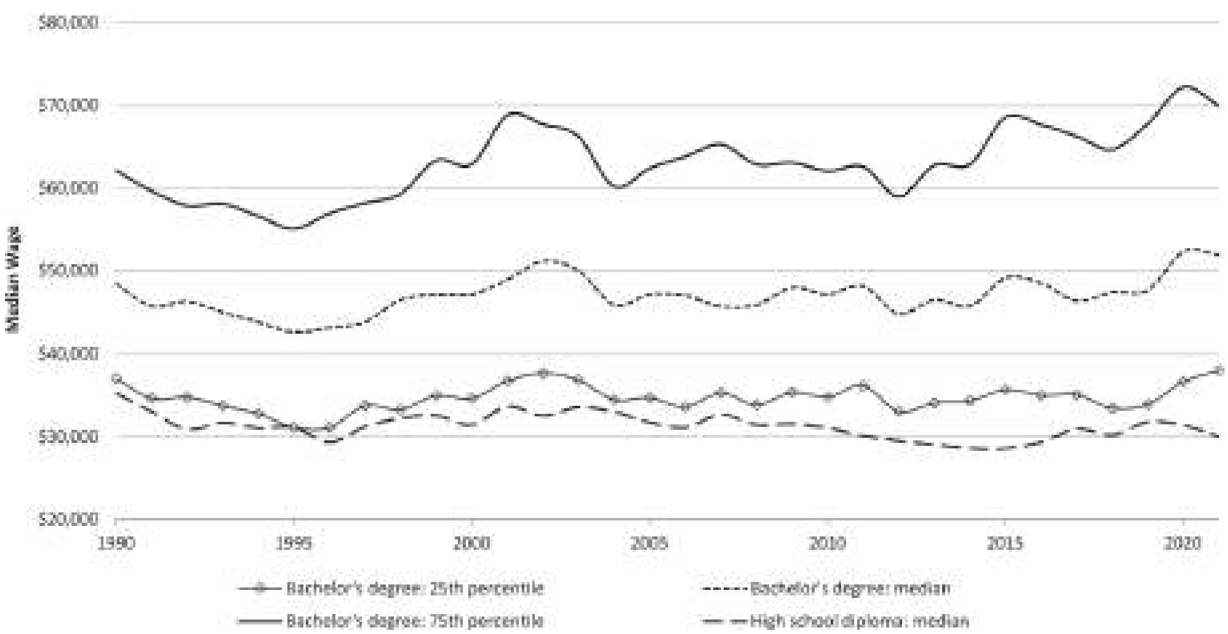
Unemployment Rates for College Graduates vs. Other Groups, as of July 29, 2022



Source: Chart and Table Data for Federal Reserve Bank of New York, Labor Market for Recent College Graduates, Unemployment, as of July 29, 2022, https://www.newyorkfed.org/research/college-labor-market/index.html#/outcomes-by-major.

As we get into looking at wages, the story is more complex.

Distribution of Annual Wages for Recent College Graduates, Updated February 9, 2022



Source: Chart and Table Data for Federal Reserve Bank of New York, Labor Market for Recent College Graduates, Wages, updated February 9, 2022, https://www.newyorkfed.org/research/college-labor-market/index.html#/wages.

The distribution of wages chart shows that the best-performing college graduates are able to secure higher salaries, at the median of the data, than those without degrees. However, this is not the case for everyone. According to Federal Reserve data, roughly 16 percent of high school grads earn more than many workers with a college degree.[9]

It also shows a disparity between college graduates, some of whom may be paying the same cost for their educations.

But this is pure earnings, meaning that these are numbers unadjusted for investment. If you add in the cost of the extra debt and servicing it over time, the benefits would be shown as even less.

Also, continually adding to education doesn't always lead to an exponential boost in earnings. It is estimated that more than one in three workers with a bachelor's degree earns more money than half of workers with a master's degree.[10]

It is important to note again that data is usually presented related to the increased earnings potential from college degrees. But that doesn't equate directly to wealth. The higher earnings, adjusted for taxes, still need to pay down any debt incurred. This is money taken away from the earnings for the life of the loan. Loans also delay the ability to start investing and creating wealth. With the time value of money, this can be a significant disadvantage, especially if the disparity in earnings isn't substantial enough to get the loans paid down quickly.

According to an American Council of Trustees and Alumni report, "High levels of student loan debt have been shown to postpone major life events dramatically, with borrowers reporting delays in saving for retirement (62%), buying a home (55%), marriage (21%), and starting a family (28%)."[11]

Does an education boost your career or keep you owning nothing?

In some cases, like with the millions who are still carrying around that debt well into adulthood, it is a lifelong burden and wealth destroyer.

Economics professor Arindrajit Dube published a chart on Twitter in May 2022 with some further bad news for degree holders. He shared that the college wage premium (the gap in earnings between people with and without college degrees) was falling for the first time since the 1970s. He attributed that to an increase in wages for the lowest earners.[12]

Additionally, there is the widespread misconception that only one type of education fits everyone. As information access has been democratized through the internet, the cost of college should be going down. Becoming well educated is something anyone with discipline and a web connection can do. Also, being educated in a skill is highly valuable and often ignored. Many of the trades, like plumbing, or other skill-based jobs, like being an airline pilot, provide very attractive salaries, and at the time of this writing are experiencing significant labor shortages, as they are being overlooked in favor of attending college.

So, this good intention has gone awry, as rampant profiteering has taken hold. There are all kinds of people who benefit financially from tying up young people with debt and forcing overpriced degrees down their throats. College counselors within high schools and ones that are privately hired, as well as testing and application preparatory coaches, are all pushing their services—which are more valuable the more people there are who want to go to college.

The biggest culprit, though, is the government, which is helping funnel money to schools. They are enriching the administrators at the expense of young Americans.

Tie in the useful idiots—the ones shouting that college is a right and that it's good for society, except that many college grads aren't finding jobs and earning wages that help society any more than if they didn't attend at all—and the school system becomes overpriced at the expense of individual wealth creation.

So, while we can see how earnings potential has been impacted by college, what about college costs?

The Ever-Expanding Cost of College

Where college used to deliver a substantial ROI, the increase in college costs, particularly versus the wage growth that a degree provides, has been thrown completely out of whack. According to *Forbes*, based on Fed data, the price of college had increased at a pace almost eight times faster than wages. They said, "According to figures from the Federal Reserve Bank of St. Louis, the average annual growth in wages was only 0.3% between January 1989 and January 2016. That's right, the cost to attend a university increased nearly eight times faster than wages did. While the cost of a four-year degree exploded to $104,480, real median wages only went from $54,042 to $59,039 between 1989 and 2016."[13]

As a rule, you should never invest six figures to get a five-figure job. The returns will rarely make sense.

One would think that people would understand this and forgo that level of expense for that type of return. However, state-run schooling doesn't seem to teach basic economic and financial concepts. It's almost as if everyone is in this together, wanting you to own nothing without it being obvious.

The increase in college costs without the return is what is driving student loans to be the biggest chunk of nonhousing debt on Americans' personal balance sheets. As of Q2 2022, student loan debt was almost $1.6 trillion, credit card debt was around $900 billion, auto loans were around $1.5 trillion, and other debt was just short of $500 billion.[14]

For the 2020–21 school year, the average tuition and fees for private, nonprofit four-year schools was $37,600 for the academic year, which is more than $150,000 for a four-year degree. This is not just for the Ivy League

and elite schools—it is on average! Public schools, which receive substantial state funding, were $9,400 for four-year institutions, which still means an almost $40,000 investment, before housing considerations. These costs keep increasing.[15]

The American Council of Trustees and Alumni (ACTA) put out a report in 2021 called *The Cost of Excess: Why Colleges and Universities Must Control Runaway Spending*, chronicling the out-of-control costs of higher learning. They note that the costs for in-state tuition at public universities, even with record state appropriations, have nearly tripled over the past three decades.

ACTA looked at 1,529 schools, both public and private, and found that increases in spending have correlated very little with increased graduation rates. They have also noted the expansion has been substantially on the noninstructional side: "investment in instructional staff—particularly tenured or tenure-track professors—has been overshadowed by increases in administrative staff, namely well-paid, professional employees."[16]

The mushrooming of administrative and services staff is accounting for a material increase in the cost of higher education, without delivering better outcomes for students in terms of graduation rates or postgraduation opportunities.

To better understand this analysis, note that, definitionally, "academic" is learning-related, "administration" is institutional-related, and "student services," according to the National Center for Education Statistics (NCES), is expenses for "activities whose primary purpose is to contribute to students['] emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program." This may include diversity and inclusion, as well as more standard activities and athletics.

Take a look at the growth in spending of these categories at four-year institutions from 2010 to 2018:

Percentage Growth in Total Spending at Four-Year Public and Private Nonprofit Institutions, 2010 to 2018

	Public	Private Nonprofit
Instruction	16.0%	17.0%

Administration	19.0%	18.0%
Student Services	25.0%	32.0%

Source: American Council of Trustees and Alumni Institute for Effective Governance, "The COST of EXCESS," with Chart Data Sourced via IPEDS, August 2021, https://www.goacta.org/wp-content/uploads/2021/08/The-Cost-of-Excess-FINAL-Full-Report. pdf.

You can see that noninstructional spending growth outpaced that related to learning.

Even on the learning side, ACTA said that "[f]rom 2012 (the earliest year for which comparable staffing data are available) to 2018, colleges and universities prioritized hiring less expensive and often less-credentialed instructional staff and more expensive administrative staff. Spending drove up the price of tuition, which was also correlated with increases in net cost for students."

Their findings noted that on a percentage basis, spending on instruction was two to five-plus times as effective at improving graduation rates (depending on public versus private institution) than spending on administrative endeavors.

Yet these institutions keep spending on administrators and student services.

ACTA cites a New England Center for Investigative Reporting investigation that found that from 1987 to 2012, an average of eighty-seven administrators and professional employees were hired at postsecondary institutions every single workday.

Writer Caroline Simon in *Forbes* looked at a University of California system audit from the state from 2017, examining the snowballing of administrative expenses. She writes, "Between fiscal years 2012–13 and 2015–16, the Office of the President's administrative spending increased by 28%, or $80 million. And ten executives in the office whose salaries were analyzed by the audit made a total of $3.7 million in FY2014—$700,000 more than the combined salaries of their highest-paid state employee counterparts."[17]

Simon notes that for the 1980–81 school year, institutional and student services spending was $13 billion across all institutions (38.5 percent of spending), while instructional spending was $20.7 billion. By the 2014–15 academic year, institutional and student services spending climbed to a

whopping $122.3 billion, while instructional climbed to $148 billion, making the former now 45.2 percent of spending. This is not just a blowup in the overall costs but an increase in the percentage of overall spending.[18]

With this explosion in spending, you may be curious as to whether that impacts aid. Surely the reported pricing of tuition and fees (the "sticker price") might be different than what people actually pay? ACTA found that increased sticker prices led to higher amounts paid, "suggesting that tuition discounting has not kept pace with the growth of tuition."

They further noted that even having financial aid didn't keep you from this increased cost burden. ACTA writes, "we found that a $1 increase in in-state public school tuition was associated with an $0.84 increase in net price, while a $1 increase in private school tuition was associated with a $0.42 increase in net price. In other words, increases in sticker price still represent real dollars out of the pockets of students and families."

ACTA did note that trustees at certain schools like Purdue, which has frozen tuition for ten years as of the 2022–23 school year, have tried to stop the price-gouging of students, but that the handful of groups that have stepped up are the exception to the rule.[19]

So, what, or rather who, has enabled colleges to be able to bloat their institutions at the expense of students? The answer lies at the nexus of the power and money grab, as it often does—the government.

The Government Financing Takeover

If you are familiar with my work, you may have heard me share this story before, but I do so here because it is utterly staggering and highly illustrative of the issues we are discussing. In 2019, Congresswoman Maxine Waters, who was chair of the House Financial Services Committee, which oversees the entire financial services sector, was upset about the college loan "crisis." In front of the committee, she grilled the heads of the largest banks in the country about the size and scope of student loans with which individuals all over America had been saddled.

"What are you guys doing to help us with this student loan debt? Who would like to answer first? Mr. Moynihan, big bank," she asked the CEO of Bank of America, Brian Moynihan, who replied, "We stopped making student loans in 2007 or so."

Waters asked the same of the head of Citigroup, who responded that the firm had exited the business in 2009.

Finally, Congresswoman Waters got to Jamie Dimon, the head of JPMorgan Chase, who responded more explicitly, to either end or underscore the embarrassment. He replied, “When the government took over student lending in 2010 or so, we stopped doing all student lending.”

Stunningly, the head of the committee that oversees financial services did not know that the government itself had pushed the major banks out of student lending and had taken it over in large part nearly a decade prior.

The government interference with and nationalization of most of the college loan industry has produced dire consequences that have led to the wealth suppression of young people, the opposite of what getting an advanced degree should do.

First, the government’s process has provided easy and available financing to young people, who have not been taught in our government-run schools how to evaluate ROI, increasing the demand for college educations. This increased demand with a relatively fixed supply of institutions has been a major driver of cost increases that have greatly outpaced inflation.

Furthermore, the government’s student loan endeavors do not use any sort of underwriting standards or process for granting the loans. There aren’t more favorable terms for an A student pursuing an engineering degree with strong job prospects versus a C student pursuing an underwater-basket-weaving degree with fewer prospects.

This process of evaluating risk and pricing it appropriately is done for just about every other type of loan that one takes on, for a reason. Whether it be in impacting the principal balance or the interest rate, the expected risks and outcomes weigh into the loan that someone can take out.

Eliminating any aspects of underwriting has provided more capital to buyers that aren’t truly “creditworthy,” which has allowed colleges and universities to take advantage of young people, as well as to charge the same or a similar amount for accreditations with wildly different financial prospects for the student “buyer.”

Also, built into every other underwriting process is consideration for the chances of full or partial default, which creates a mechanism for the allowance of bankruptcy.

The government has completely upended this process, taking away student loan bankruptcy options in most cases. Without underwriting and

bankruptcy, young people are on the hook indefinitely for their debts, with almost no chance of discharge. This, again, has enabled colleges to continually increase their prices without themselves having any skin in the game or having to suffer any consequences or recourse directed back at them.

It has also allowed those firms that provide supplemental student loans to benefit from a government-induced arbitrage opportunity. These firms have little to no bankruptcy risk from the students who hold the loans, yet still charge above-market interest rates as if they do. This has created a scenario where students have been paying very high interest in an otherwise artificially low interest environment, not letting them get ahead in their paydown.

Insider did a series on “hamster wheel” student debt borrowers, those who—despite making regular payments, including some that have exceeded the original principal borrowed—can’t get ahead because of interest.

One story included Daniel Tapia, who graduated in approximately 2011, an era of very low interest rates. Despite the overall environment, $60,000 of his loans were taken out privately at a 9 percent interest rate. Insider says that “his student-debt load currently stands at just under $86,000, including $22,000 owned by the government, even after making a decade’s worth of monthly payments.”[20]

Forty-one years old at the time of the story, Tapia told Insider, “What I don’t get is if I took out a certain amount, and I paid that amount already, and I still owe more than I originally owed, it’s just nuts. It’s mind-boggling to me that this total amount is not going down. It’s not going away.”

Stories like Daniel’s show the wealth transfer that these profiteers are supporting, transferring wealth-creation opportunities from an educated man who can’t get ahead of the exorbitant interest on an overpriced education to the financial services provider and college, neither of which bears any meaningful risk.

This all has caused the cost of college to skyrocket, far exceeding inflation or the potential increase in wages one might get for their degree. One 2021 study showed that the cost of college had exceeded the rate of inflation by almost five times over the last fifty years.

American Enterprise Institute’s Mark J. Perry, the creator and updater of the price changes chart, which has been referred to as “the chart of the century,” looks back on costs over the past two decades. The areas where the

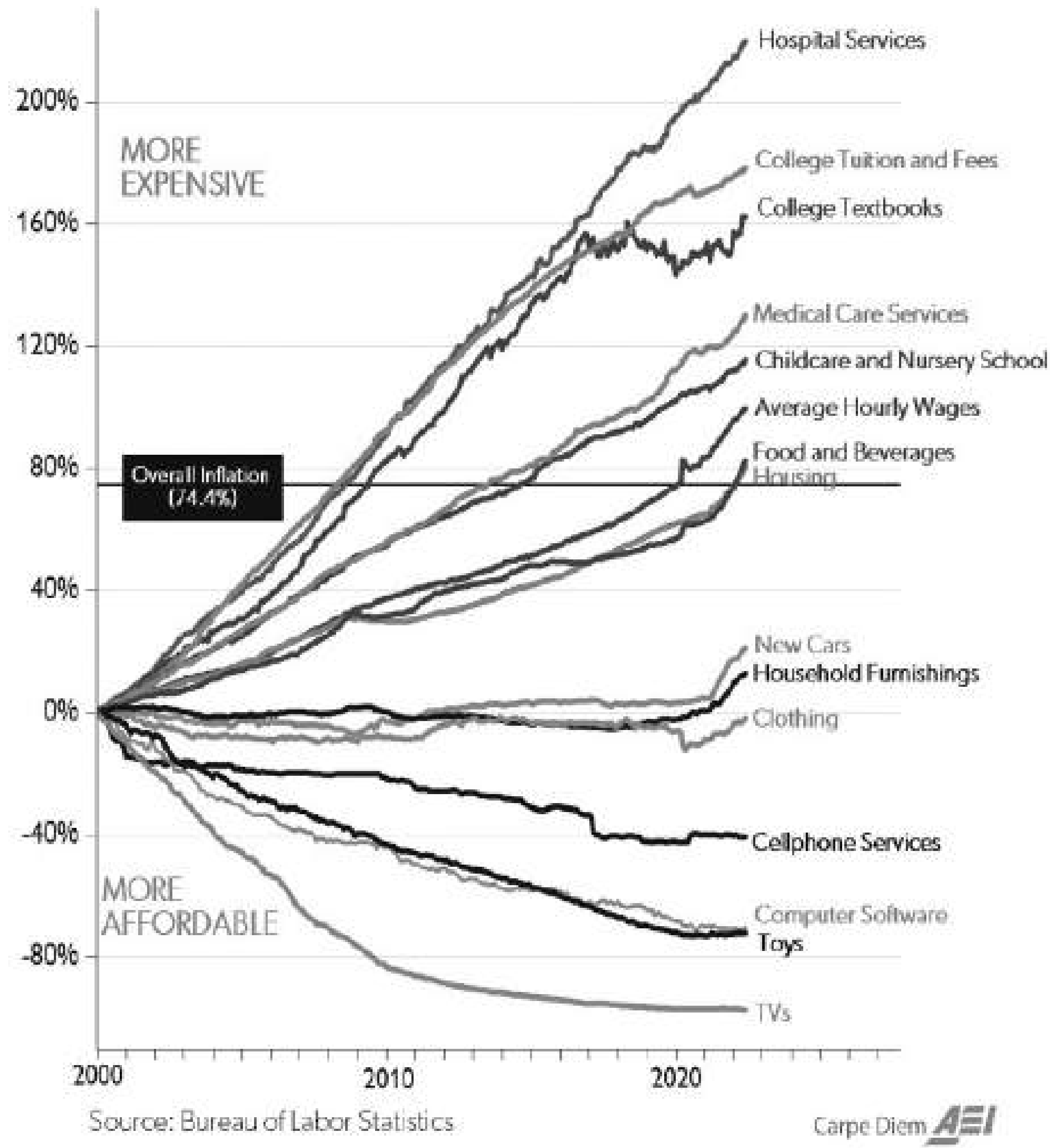
government has interfered have risen substantially more quickly than overall inflation. This includes the costs related to higher education.

Perry's commentary on the chart was as follows:

> Based on last week's BLS report on CPI price data through June 2022 I've updated the chart . . . with price changes through the middle of this year. During the most recent 22.5-year period from January 2000 to June 2022, the CPI for All Items increased by 74.4% and the chart displays the relative price increases over that time period for 14 selected consumer goods and services, and for average hourly wages. Seven of those goods and services have increased more than the average inflation rate of 74.4%, led by huge increases in hospital services (+220%), college tuition (+178%), and college textbooks (+162%). . . . [21]

When it comes to profiteering off of secondary education, another issue arises around the scope of the loans. When you take out a loan for other investments, such as a home or a business, you normally can't use that money to get your hair done, per the covenants of the loan that you sign off on. In the case of student loans, some are broad and often not strictly tied to the direct education costs; therefore, expenses like spring break trips (which, I can assure you, are an expense, not an investment) end up being financed from student loans. A survey by LendEDU in 2021 found that almost 57 percent of currently in-school borrowers that were going on spring break planned to use their student loans to help pay for the trip.[22]

Price Changes: January 2000 to June 2022
Selected US Consumer Goods and Services, Wages



Source: Mark J. Perry, American Enterprise Institute, July 23, 2022. Reprinted with permission.

A Quarter of a Trillion Dollars in Subsidies per Year

According to the Department of the Treasury's Datalab, for 2018, money from the federal government made up 14 percent of all college revenue. In

dollar terms, this was $149 billion for the year, made up of $98 billion in student aid, $41 billion in organizational grants, and $10 billion in contracts.[23] For that year, it was equal to about 3.6 percent of federal spending.[24]

Datalab also says, “Loans comprise approximately 73% of the total aid to students, making them the largest source of assistance from the federal government. Although student aid includes the $11.6 billion investment made through the G.I. Bill of Rights, it is not included in this analysis because we were not able to make a direct connection between that investment and the benefits given to an institution.” This sounds to me as if they are not counting this $11.6 billion in GI Bill money as part of the total, so I will leave it out in the aggregate data here as well, but you should be aware of it.[25]

Based on this data, USAFacts says that about 20 percent of federal postsecondary monies went toward public institutions.[26]

Further looking into the breakdown of some of the largest outlays, the biggest federal grants were given to some of the wealthiest universities. Harvard, which I refer to as a hedge fund masquerading as a university, has the largest endowment in the country, valued at north of $41 billion. Columbia, which received the second-largest grant, has an endowment valued at north of $11 billion.

Many individuals who have held high-level positions in government have come from prestigious positions at schools like Harvard. And after their service, many high-ranking officials end up back at Harvard in prestigious positions, including Treasury secretary Larry Summers, who was Harvard’s president, and Associate Justice of the Supreme Court Stephen Breyer, who, after retiring from the court, announced he was joining the faculty at Harvard Law. I am sure that this is all purely coincidental.

In terms of federal contracts, again, several well-capitalized universities were among the biggest single contract recipients, including a nearly $1 billion contract to MIT, which has the sixth-largest endowment ($18 billion), and more than a half billion dollars to Stanford in a single contract, which has the fourth-largest endowment (around $29 billion).

On top of federal money (from your taxes), state money (from your taxes) also flows to these universities and colleges. It was reported in 2022 that state financing for postsecondary schools exceeded $100 billion for the first time.

Top Five Largest Federal Grant Investments at Colleges/Universities in 2018

University	Grant Investments ($ in Millions)
Harvard University	$179.5
Columbia University	$165.1
Michigan State University	$119.5
Johns Hopkins University	$111.7
Oregon State University	$103.0

Source: "What do universities do with the billions they receive from the government?" USA Facts, https://usafacts.org/articles/what-do-universities-do-with-the-billions-they-receive-from-the-government/; information sourced via Datalab, Explore the Federal Investment in Your Alma Mater, https://datalab.usaspending.gov/colleges-and-universities/, via US Treasury.

Top Five Largest Federal Contract Investments at Colleges/Universities in 2018

University	Contract Investments ($ in Millions)
California Institute of Technology	$2,410.0
University of California–Berkeley	$992.2
Massachusetts Institute of Technology	$939.9
Stanford University	$565.3
Johns Hopkins University	$365.5

Source: "What do universities do with the billions they receive from the government?" USA Facts, https://usafacts.org/articles/what-do-universities-do-with-the-billions-they-receive-from-the-government/; information sourced via Datalab, Explore the Federal Investment in Your Alma Mater, https://datalab.usaspending.gov/colleges-and-universities/.

Referencing a report from the State Higher Education Executive Officers Association, Best Colleges said, "This 2022 allocation continues an upward trend in state funding over the past five years, according to the SHEEO report. State support has grown 21.4% since 2017 without counting support provided through the stimulus bills."[27]

Adding together the state and federal money, direct government cash to these universities is about a quarter of a trillion dollars (your dollars!) per year, around 25 percent of their total revenue. This doesn't include any of the cash giveaways to colleges included in the coronavirus CARES Act.

In terms of profiteering and wealth transfers, in addition to getting more wealth to the likes of professionals associated with universities and colleges, such as administrators, the subsidizing of operations has allowed many institutions to continue to grow their endowments. According to the NCES, "At the end of fiscal year 2020, the market value of the endowment funds of colleges and universities was $691 billion, which was 2 percent higher than the beginning of the fiscal year, when the total was $675 billion."[28]

You can see the breakdown of the top twenty, from Harvard to Cornell, in the table that follows.

Again, many of these institutions find themselves receiving large amounts of taxpayer money, despite their financial wherewithal.

Ithaka S+R, a consulting firm with a specialty in education, among other areas, details all the ways that government policy at the federal level enacts a "resource transfer" to colleges and universities, from loans and other direct transfers, like grants, to beneficial tax treatment at multiple levels. They write, "The tax policies that benefit endowments and subsidize higher education, including the charitable deduction for contributions to higher education and the exemption of endowment earnings from income taxation, are blunt policy tools for affecting institutional behavior."[29]

They continue, "Most public and private nonprofit higher education institutions are 501(c)(3) organizations that are exempt from taxes on income generated from their educational missions. Income from endowment assets, donated to both public and private non-profit colleges and universities to further their educational missions, has thus not been taxable. But the recently passed tax law modifies this practice for private institutions with endowments of $500,000 or more per student and at least 500 students." This large-endowment asset tax was passed under the Trump administration.[30]

However, as the taxes apply only to realized capital gains, the actual taxes paid in any given year will be smaller than estimated long-term liabilities listed in endowment reports.[31]

Top 20 Largest Endowment Funds (Degree-Granting Postsecondary Institutions), FY 2020

Rank	Institution	Endowment Market Value End of FY 2020 ($ in Thousands)
1	Harvard University	$41,894,380
2	Yale University	$31,201,686
3	University of Texas System Office	$30,522,120
4	Stanford University	$28,948,111
5	Princeton University	$25,944,283
6	Massachusetts Institute of Technology	$18,381,518
7	University of Pennsylvania	$14,877,363
8	Texas A & M University–College Station	$12,720,530
9	University of Notre Dame	$12,319,422
10	University of Michigan–Ann Arbor	$12,308,473
11	University of California–System Administration Central Office	$12,267,010
12	Columbia University in the City of New York	$11,257,021

13	Emory University	$9,169,028
14	Washington University in St. Louis	$8,489,294
15	Northwestern University	$8,484,706
16	Duke University	$8,474,071
17	University of Chicago	$7,199,521
18	University of Virginia–Main Campus	$7,146,476
19	Vanderbilt University	$6,917,371
20	Cornell University	$6,882,708
--	United States (all institutions)	$691,019,781

Source: National Center for Education Statistics, Endowments, FY 2020, https://nces.ed.gov/fastfacts/display.asp?id=73.

Colleges and universities, particularly at the elite end of the spectrum, are stockpiling cash and generating wealth, while the cost of school is causing young people to forgo wealth creation.

The Millennial-to-Colleges Wealth Transfer

The exploding cost of higher education has created an interesting phenomenon. Millennials are the highest-paid generation (at their age) but have less accumulated wealth. It is not a stretch to connect the dots between their student loan debt burden and this outcome, as well as other Fed and government policies that we have discussed.[32]

Writer and pundit Kevin Drum looked at median household incomes for the boomer, Gen X, and millennial generations at a midpoint of age forty (thirty-five to forty-four).

He says, “Millennials at age ~40 earn quite a bit more than Boomers did at age 40. This is median income adjusted for inflation, so it doesn’t include zillionaires and it’s real dollars.”[33]

Median Household Income by Generation at Age 35–45; Inflation Adjusted

Generation	Median Household Income as Beginning of Generation Turns 40 Years Old
Baby Boomers	$70,000
Gen X	$77,000
Millennials	$85,000

Source: Kevin Drum, "Millennials Are the Highest Paid Generation in American History," September 20, 2021, https://jabberwocking.com/millennials-are-the-highest-paid-generation-in-american-history/, data from US Census Bureau.

Drum also looked at individual income to account for more women in the workforce, which also showed higher earnings for millennials.

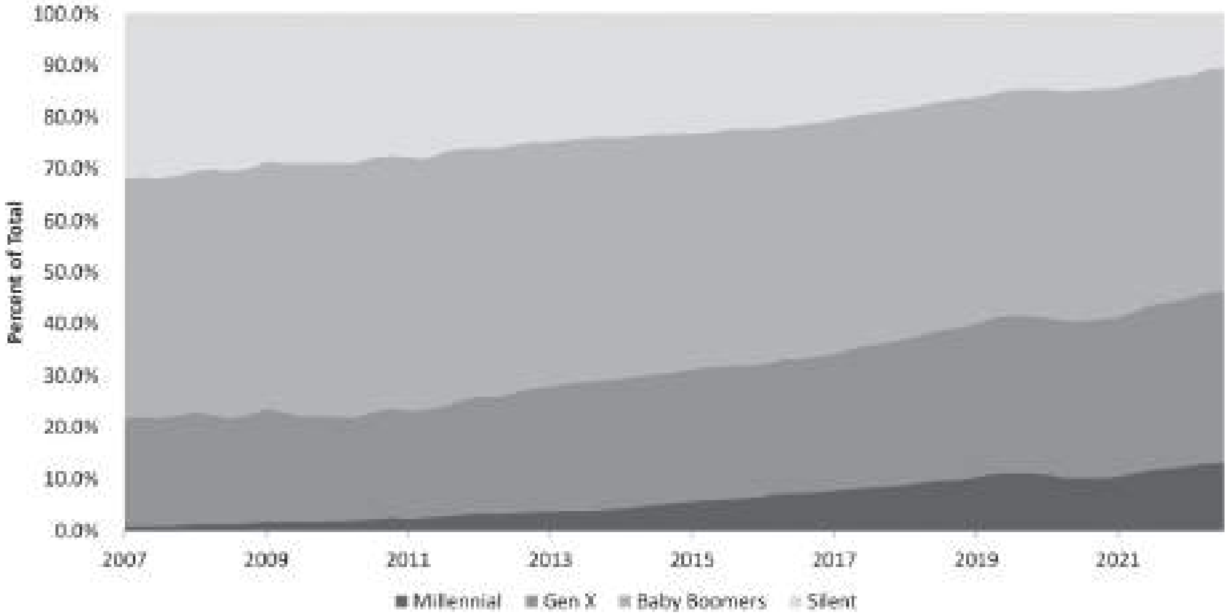
However, as we know, in aggregate, despite being a large generation, millennials hold a lower share of wealth (percentage of overall wealth) than previous generations held at the same age. Insider reported, "When boomers were roughly the same age as millennials are now, they owned about 21% of America's wealth, compared to millennials' 5% share today, according to recent Fed data."[34]

The reality of higher debt loads and other factors we have discussed is front and center in the "you will own nothing" prediction.

As discussed, wealth is most highly concentrated in the home. But, with their current balance sheets, millennials don't expect to have that opportunity. CNN reported, "About three-quarters of Boomers and Gen Xers expect to own a home in retirement, while fewer than half of Millennials do."[35]

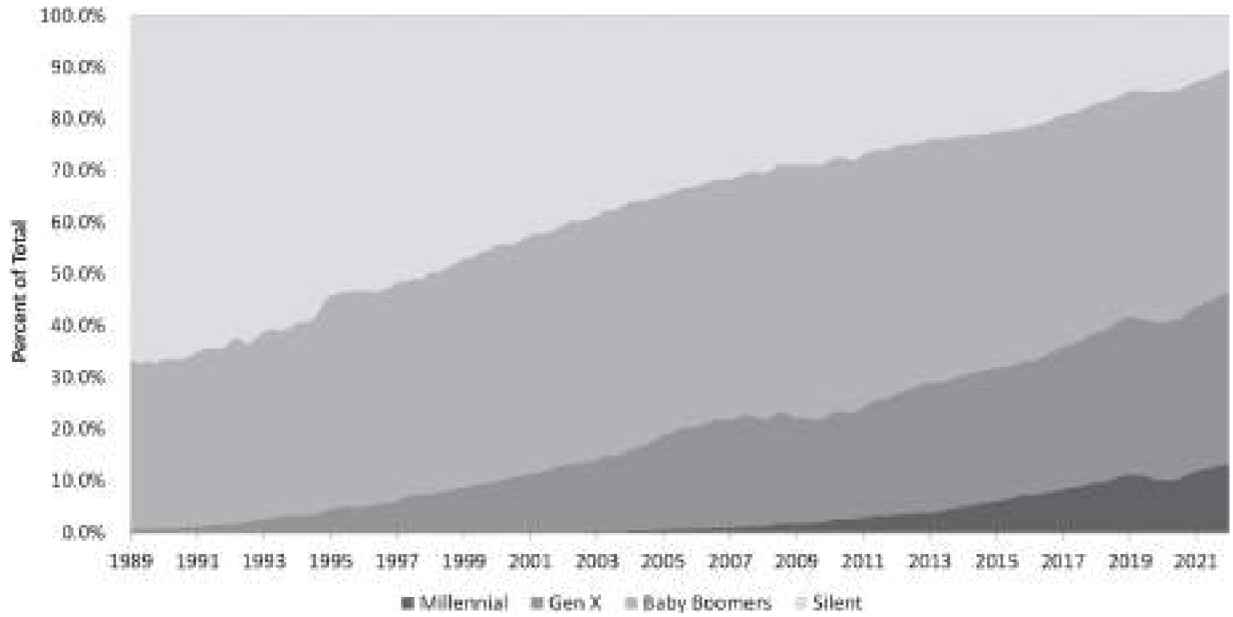
Looking at overall assets by generation and then real estate wealth by generation, you can see that the early boost in salaries for millennials is not translating to more wealth generation. The real estate by generation chart shows how much more quickly Gen X was able to start compounding wealth as compared to millennials.

Asset Owned by Generation, Percentage of Total, Q1 2007 to Q2 2022



Source: Board of Governors of the Federal Reserve System, Distribution of Household Wealth in the U.S. since 1989, Q1 2007 to Q2 2022, https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart/#quarter:119;series:Assets;demographic:generation;population:1,3,5,7;units:shares;range:2007.1,2022.2. The Fed notes that distributions by generation are defined by birth year as follows: Silent and Earlier=born before 1946, Baby Boomer=born 1946–1964, Gen X=born 1965–1980, and Millennial=born 1981 or later.

Real Estate Owned by Generation, Percentage of Total, Q3 1989 to Q2 2022



Source: Board of Governors of the Federal Reserve System, Distribution of Household Wealth in the U.S. since 1989, Q3 1989 to Q2 2022, https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart/#quarter:119;series:Real%20estate;demographic:generation;population:1,3,5,7;units:shares;range;1989.3,2022.2. The Fed notes that distributions by generation are defined by birth year as follows: Silent and Earlier=born before 1946, Baby Boomer=born 1946–1964, Gen X=born 1965–1980, and Millennial=born 1981 or later.

If you are making more but owning less, that is a bad outcome.

Paying Down Debt and Free College

This transfer of wealth from young people to schools is hampering wealth-creation opportunities for millions of Americans.

That is wrong, and that needs to be fixed. However, the government's—along with the racketeers' and useful idiots'—ideas don't center on a structural change to the issue to make college less expensive and align the costs of schooling with the value they create. No, instead, they want to further shift that burden onto you.

The Biden administration and many members of Congress have been advocating for various levels of student loan forgiveness, including enacting $6 billion in relief for 200,000 students as part of settling a fraud class-action suit related to certain for-profit vocational schools and colleges, and a

2022 student debt relief plan estimated to cost taxpayers between $500 billion and $1 trillion if it survives the court system.[36]

Because the government makes these loans but does not have the productive capacity to create value, ultimately you are the one who grants the loans and the one who forgives the loans.

As discussed, the government's disruption of the student loan market, without underwriting, without any evaluation of returns on investment, and without schools having any risk or "skin in the game," has created this issue.

So, how does the government picking some group of people to have their debts "forgiven" solve anything?

Forgiving these loans unfairly shifts the burden of the costs (via more national debt, inflation, taxes, or otherwise) from the person who took on the obligation and received the benefits from it to all taxpayers. Those who passed up college altogether, those who went to a cheaper school, and those who made sacrifices to pay down their college debts or carry other types of debt burdens would be unfairly penalized by the government picking winners and losers. This ultimately means that working-class people without advanced degrees will be subsidizing the education of those with higher earnings potential.

Postsecondary student loan cancellations are a wealth transfer from the working class to the college-educated class. The debt doesn't go away. It just moves from one place to another.

That is as backward as the day is long.

Student debt jubilees do nothing to help get college costs under control and prevent that same situation from happening in the future. It doesn't put any schools on the hook for selling degrees that aren't worth their costs. It doesn't give them incentives to cut costs. Rather, knowing that the government will intervene, it gives them every incentive to further increase costs without any care for improving outcomes for their students.

As I quoted from Charlie Munger earlier, show me the incentive, and I will show you the outcome.

Selective debt forgiveness gives the government power to pick more winners and losers and ultimately buy more votes.

The colleges win. The wealthy and high earners win or come closer to breaking even. You lose.

Nothing regarding the college cost burden will change until we get the government out of the school lending arena—one that they had no business

being in to begin with. Loans should be made through a market-based underwriting process, and with that, the ability of individuals to discharge their student loans through bankruptcy courts should be available to all debt holders.

Students who are taking out loans should be shown, at every step of the process, what their expected return on their investment is, based on their major, school, and other factors, and they should be required to sign off on that as part of the process.

Colleges need to either be part of the underwriting process and hold a piece of the loan or be allowed to be sued if graduates aren't able to use their degrees to better their professional outcomes.

In the meantime, given the cheap debt that has been given to the government and corporations alike for more than a decade, students who do not have the ability today to go through bankruptcy should either be given that option or the rate on their interest paid should be recalculated to an appropriate market rate, and interest paid above that over the past five years should be allowed to be applied to reduce their principal balances.

Or let students sue the schools that price-gouged them.

We are already giving the schools a quarter of a trillion dollars' worth of taxpayer money at the state and local levels each year directly, on top of all other types of benefits and incentives that prop up their profiteering schemes. The least they could do is make the degrees they are selling worthwhile.

Ask yourself, if the government wanted to keep young people from economic prosperity for their lives, would they do anything differently than what they are doing now?

Would this keep them dependent upon the government? Would this make them vote for more government that could "relieve them" of the burdens (those same burdens that were truly created by the government to begin with)?

Profiteering has created a real wealth transfer that benefits the connected and not the average American. Getting more education, in the ultimate ironic twist, may be a predictor of you owning nothing.

Chapter 10

The Upcoming Wealth Heist

The Government's Plan for the Biggest Wealth Transfer in History

We hang the petty thieves and appoint the great ones to public office.

—Aesop

The transfer of wealth by force is a prominent theme in ensuring you will own nothing, and we have no shortage of those wealth transfers with which to contend. However, there is about to be a historic, free-choice transfer of wealth in the US, assuming that the government doesn't get there first.

Financial consultants Cerulli Associates, who track wealth trends, estimate that within the next twenty-three years there will be a total of $84.4 trillion in wealth transferred.[1] Of that, just more than $11 trillion is set to go to philanthropic endeavors (that's more than the yearly GDP of every country other than the US and China), and a historic $70 trillion is set to be transferred to heirs.[2] I estimate, based on Cerulli Associates' data, that this equates to around 65 percent of the wealth in the hands of individuals in the US set to turn over in the next two and a half decades.

More than a quarter of all wealth in the US (27 percent) is currently estimated to be held by Americans who are, as of the end of Q1 2021, age seventy and older.[3] This, at the time of estimation, was about 157 percent of the US GDP, "more than double the proportion 30 years ago, federal data show," according to the *Wall Street Journal*.

Estimated Wealth Transfers, 2021 to 2045; Dollars in Billions

Year	Estimated Transfer ($ in Billions)
2021–2025	$9,740
2026–2030	$12,411
2031–2035	$16,415
2036–2040	$20,800
2041–2045	$25,056

Source: Cerulli Associates, Cerulli Report, 2021, https://s3.us-east-1.amazonaws.com/cerulli-website-assets/documents/Info-Packs/2021/Cerulli-US-High-Net-Worth-and-Ultra-High-Net-Worth-Markets-2021-Information-Packet.pdf.

This is a ton of wealth that has been earned. Those who have earned it deserve to decide what happens to it. If it ends up in the hands of their designated beneficiaries, it could meaningfully help thwart the efforts to strip ownership and wealth from the average Americans. These beneficiaries will include millennial and Gen X recipients and, to a smaller extent, Gen Z.

Even today, before this epic transfer begins in earnest, inheritances are meaningful for the average American.

A 2019 report by Insider referenced a study that showed the median inheritance size had already moved up by almost 3.7 times over the last three decades, from $15,000 to $55,000. In terms of beneficiaries, Insider said, "They're more middle class than you might imagine. The data show they earn about $69,000 annually—though about 25% earn less than $35,000 a year—have no college degree, and have just $25,000 in retirement savings."[4]

These estimates for inheritances (to date) don't include gifts made prior to someone passing on.

Not only are median inheritances increasing, but averages are as well. The *Wall Street Journal* article reported, "The average inheritance in 2019 was $212,854, up 45% from an inflation-adjusted $146,844 in 1998, according to an analysis of Fed data by economists at a unit of Capital One Financial Corp."[5]

This voluntary, historic financial transfer is an opportunity for the wealth and ownership the older generations have generated to stay with their chosen family members and other beneficiaries. It's an opportunity for you to own something.

It's not just cash, stocks, and bonds at stake but also tangible and intellectual property, including homes, businesses, farms, and land. The Family Owned Business Institute at Grand Valley State University in Michigan estimates that there were approximately 5.5 million family businesses in the US as of 2020.[6] And a 2021 study by PwC found that 67 percent of North American family businesses surveyed "already have next-gen[eration] family members working in the business and anticipate they will become majority shareholders within five years."[7]

This generational wealth transfer can give younger people, who, as we have discussed, are being put on a path to owning nothing, a glimmer of hope for acquiring and building some wealth.

However, the government sees big pools of dollars that represent an opportunity to buy them more power and bail them out of their debt debacle. Using your money to shore up government obligations or make new promises, the coming turnover of wealth will likely turn into a historic cash grab by the government.

You may think it is just the billionaires' dollars that government is after, but billionaires' wealth is a fraction of what's out there (and not nearly enough to make a dent in government spending). Take the top eleven wealthiest individuals in the US as of July 19, 2022 (these eleven were, at that date, among the top seventeen wealthiest people in the world). Their collective estimated wealth at this date, which largely includes their stakes in the value of companies that they have founded and/or grown, was about $1.2 trillion.

While this is undoubtedly a lot of wealth concentrated in a small number of people, it is a fraction of the $84.4 trillion at stake.

Also, even if these assets were confiscated at 100 percent of their value (which couldn't be done without value leakage and is unconstitutional, but play along for the example), it would only be enough to fund the government for less than two and a half months, based on the FY 2022 budget. And then there would be nothing to tax from these folks in the future.[8]

It's not a stretch to conclude that it's the other $83.2 trillion that is set to turn over that would substantially help the government out.

Wealthiest Individuals in the United States; Worldwide Rank by Net Worth; July 19, 2022

Worldwide Rank	Name	Estimated Net Worth	Industry
1	Elon Musk	$223 B	Tech
2	Jeff Bezos	$142 B	Tech
4	Bill Gates	$115 B	Tech
6	Larry Page	$103 B	Tech
7	Sergey Brin	$99 B	Tech
8	Warren Buffett	$99 B	Diversified
9	Steve Ballmer	$92 B	Tech
10	Larry Ellison	$89 B	Tech
15	Charles Koch	$69 B	Industrial
16	Julia Flesher Koch and family	$69 B	Industrial
17	Mark Zuckerberg	$65 B	Tech

Source: Bloomberg Billionaire Index, July 19, 2022, https://www.bloomberg.com/billionaires/?sref=hmG4mtJl.

The Great Underfunding of Liabilities

Under the new financial world order, the government will seek to get its hands on as much of that money as possible. The less wealth you have, the less power you have. The more they take to expand government programs and "promises," the more you are dependent upon the government. You own nothing, and they own you by promising you morsels from the money they took from you. They also use your money to provide for others and, in doing so, "own" them, too.

Layer on top of that the government's current fiscal situation and the need becomes urgent. They need to keep their scheme afloat, which means more money for overall spending, including the giant middlemen transfers of Social Security and Medicare at the federal level and pensions at the state level.

That money has to come from somewhere. The government doesn't produce anything productive, so they must take it directly from you, reduce benefits (which is politically unpopular and often impacts their power grab), or finance it on your behalf (which leads to your existing dollars being worth less and you keeping less of what you earn in the future). It's moving a dollar bill from your left pocket to the right pocket and telling you they gave you a dollar. Or really, the government takes $1.25 from your left pocket, pisses away a dollar (or finds a way to launder it back to their cronies), drops $0.25 in your right pocket, and tries to make you believe that they gave you a quarter.

Uncle Scam

One of the biggest issues at the state and federal levels is unfunded liabilities. Defined benefit plans are a mechanism to transfer wealth with the government as the middleman. Politicians make promises that you will get some payoff in the future based on calculations that are usually aggressive and often complete fantasies. This buys them power today and kicks the can of dealing with the result to some point in the future. It also abets their profiteering cronies in extracting fees.

Social Security, Medicare, and state pensions, as well as some union pensions that the government also helps guarantee, are all set up in this way and, unsurprisingly, have tens of trillions of dollars worth of unfunded liabilities that need to be dealt with (federal government liabilities are estimated at around $129.1 trillion by Truth in Accounting's 2021 Financial State of the Union report).[9]

United States Government Estimated Liabilities Breakdown

Medicare Benefits	$55.1 trillion
Social Security Obligations	$41.2 trillion
Publicly Held Debt	$21.1 trillion
Military and Civilian Retirement Benefits	$9.4 trillion
Other Liabilities	$2.3 trillion

Source: Truth in Accounting, Financial State of the Union, 2021, https://www.truthinaccounting.org/library/doclib/Financial-State-of-the-Union-2020.pdf.

The government needs some way to pay for these promises, and, as noted above, it's just moving Americans' wealth from one place to another.

Now, some people have taken offense at Social Security being labeled a Ponzi scheme, but if it isn't one, it's a first cousin.

The Social Security Trust Fund is "funded" primarily by payroll taxes, paid by both an employee and their employer, or an entrepreneur in full (doubled) if self-employed. It also receives tax revenue from those who pay taxes on benefits received and "interest" on the "reserves" of the trust fund (discussed below) from the US Treasury.

Social Security is a prime example of promised benefits without ownership. In a typical retirement account, you contribute money at your discretion, which is invested in your own account. Your contributions accumulate, and any net gains (interest, dividends, asset appreciation, etc.) grow; you own the full amount in the account when you are ready to redeem the funds.

However, the way the money flows through Social Security and its entire structure is a head-scratcher. While you contribute your earnings, you are not left with a tangible asset that you can pass on to loved ones when you die, should value remain (although, if you are married or have dependents, your survivors may qualify for benefits).

The short explanation of how Social Security works is that you and your employer contribute into a "fund," and you expect to receive some fixed monthly benefit, set by the government, when you retire in the future or should you become disabled. According to the Social Security Administration, for 2021, around 65 million Americans received more than $1 trillion in Social Security benefits. Disabled workers and their dependents account for 13.1 percent of total benefits paid, retired workers and their dependents account for 75.2 percent of total benefits paid, and survivors of the deceased about 11.7 percent of total benefits.[10]

The longer explanation is that, as a worker, you pay money that goes into the "trust fund," but only on "paper" via a bookkeeping entry (alongside the other "revenue," aka funding, described above). That money paid in is immediately used by the US Treasury to pay out any benefits owed to current Social Security beneficiaries. When the amount of money taken in exceeded the amount paid out, as it had in the past, that difference would be "invested"

into special-issue US Treasury securities. As explained by David John, formerly of the Heritage Foundation, these special types of Treasury bonds can only be issued to and redeemed by Social Security (that means they are not the type of securities that can be traded in the market).[11]

As also noted in that piece, the Office of Management and Budget under the Clinton administration in 1999 explained the fund flows as, "These [trust fund] balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures."

In plain language, the Treasury issues these special securities (which are basically an IOU), puts them into the trust fund via an accounting entry, and the money is used to finance the overall government expenditures.[12]

This is where the gaslighting often occurs, as many news sources will tell you the money is a safe investment in these bonds. However, these bonds aren't like investing in a company. The money isn't being used as an investment to produce a return; the government is spending it. So, it is not like lending money to a company or some other investment where you own a piece of something productive, as these special bonds are only backed by the word of the government. Plus, the interest the Treasury pays isn't derived from a projected return on the bond from an investment; it's made up, too, and it has to be financed by either the money taken in from workers, other taxes, or debt.

All of these mechanisms keep you from the benefits of ownership and keep the government large and powerful.

John C. Goodman, president of the Goodman Institute for Public Policy Research, said in *Forbes* that one cannot "deny, ignore or try to minimize the fact that we have promised future retirees far more than any revenues we expect to collect."

Here's a simpler way to understand this. If everyone decided not to work for one year (which seemed impossible before Covid mandates, but here we are), you wouldn't have all the assets of previous investors sitting in the trust fund to use to pay out, nor would you have bonds or other investments attached to a company that could be liquidated for value or anything else. The

lack of money coming in would leave the government without money for the year to pay out. The government would need to either raise taxes or issue more debt to third parties to pay benefits that year. This is why Social Security is considered a shell game or Ponzi-ish scheme.

Hopefully, we won't reach a point where nobody is working (such as in a complete government lockdown scenario). But, as you typically see in pay-in versus pay-out scenarios, with demographic changes bringing on baby boomer recipients more rapidly, Social Security will have more benefits due than the money paid in can cover, which means that the "trust" has a shortfall —an ironic name for sure. This shortfall was projected by Social Security in June 2022 to begin that same year (in 2022). As the system is designed to expect the pay-in to cover the money going out, that means eventually either benefits would need to be cut (which is not politically popular), taxes would need to be raised, and/or debt would need to be issued (which means more interest payments in the government budget, more taxes, and/or more total debt burden, as well as likely printing more money and devaluing the real value of what is paid out).[13]

You may not be bothered by that fix but think of it this way—it is the opposite of the wealth transfer we discussed at the beginning of the chapter. More taxes or debt to finance this flawed system leads to burdening the younger generations to pay for the older generations. It sucks up wealth in an opaque manner. Given the current generational wealth distribution, nobody should be looking to create additional wealth transfers from the younger generations to the older ones.[14]

On top of all of the other arguments that we have discussed, the fact that the government designed the Social Security program to this end and has never fixed it should be illustration enough of why you do not want the government involved in any new or expanded programs of any sort. You don't own your Social Security funds, and the government wants to take more of your wealth to increase their flawed system as the middleman.

According to the Congressional Research Service, over its eighty-seven-year history, Social Security has collected $25.2 trillion and paid out $22.3 trillion, leaving trust fund asset reserves of around $2.9 trillion at the end of 2021.[15]

Trustee projections, according to the Congressional Research Service, show that Social Security will be unable to pay scheduled benefits "in full and on time" starting in 2035.[16]

What Ails Medicare

Medicare, as it stands today, is also at risk regarding its "trust fund status." This table from the Treasury's 2021 Financial Report of the United States Government shows that within a few years Medicare will start having shortfalls that worsen over the next couple of decades.[17]

Trust Fund Status

Fund	Projected Depletion	Projected Post-Depletion Trend
Medicare Hospital Insurance	2026	Trust fund income is projected to cover 91% of benefits in 2026, 78% in 2045, and 91% by 2095
Combined Old-Age Survivors and Disability Insurance	2034	Trust fund income is projected to cover 78% of benefits in 2034 and 74% by 2095

Source: Financial Report of the United States Government, Fiscal Year 2021, Table 1, https://fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

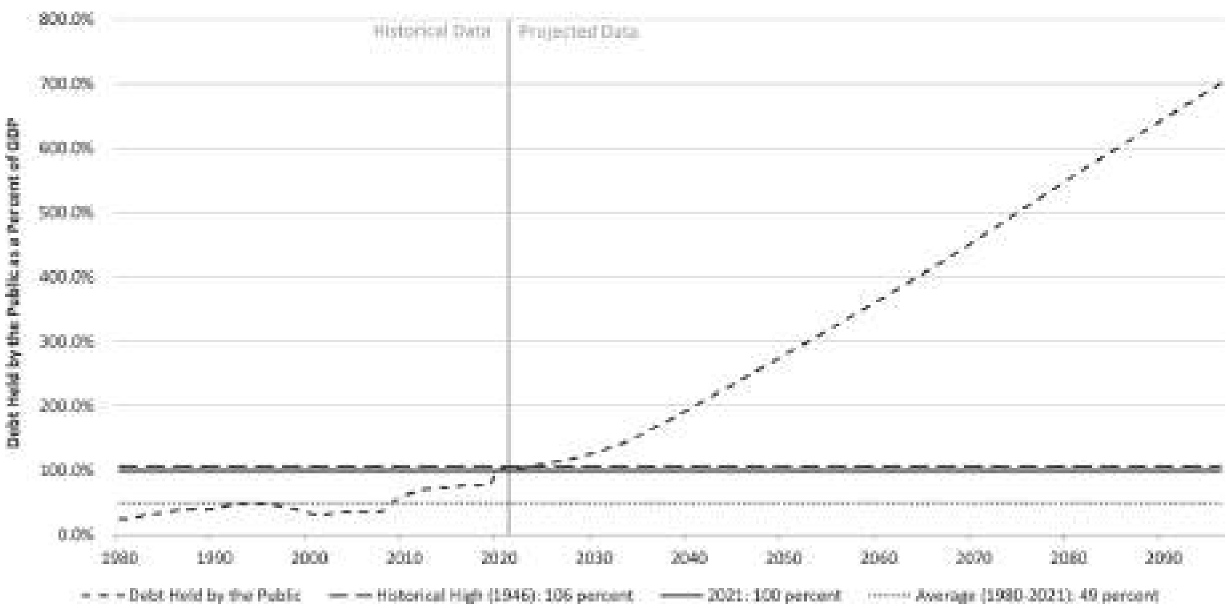
With all of their obligations, as well as their desire to keep expanding government, the 2021 Financial Report of the United States Government shows how completely unsustainable the current government financial trajectory is without some additional changes. Their commentary regarding the debt projections chart, related not to total debt (which would include intragovernmental debt) but solely the debt held by the public, says, "The debt-to-GDP ratio was about 100 percent at the end of FY 2021. Under current policy and based on this report's assumptions, it is projected to reach 701 percent by 2096. The projected continuous rise of the debt-to-GDP ratio indicates that current policy is unsustainable."[18]

You think?

Additionally, the cost of delaying fiscal reform table shows that not addressing this issue will have a meaningful impact on the GDP. These

numbers are likely not illustrating a worst-case or even realistic scenario, based on the history of such government projections.

Historical and Current Policy Projections for Debt Held by the Public, 1980 to 2096



Source: Executive Summary to the Fiscal Year 2021 Financial Report of U.S. Government, Chart 7, https://www.fiscal.treasury.gov/reports-statements/financial-report/unsustainable-fiscal-path.html#chartdiv7es.

Cost of Delaying Fiscal Reform

Period of Delay	**Change in Average Primary Surplus**
Reform in 2022 (No Delay)	6.2% of GDP between 2022 and 2096
Reform in 2032 (Ten-Year Delay)	7.3% of GDP between 2032 and 2096
Reform in 2042 (Twenty-Year Delay)	9.0% of GDP between 2042 and 2096

Source: Financial Report of the United States Government, Fiscal Year 2021, Page 11, Table 2, https://fiscal.treasury.gov/files/reports-statements/financial-report/2021/fr-02-17-2022-(final).pdf.

They note, “The longer policy action to close the fiscal gap is delayed, the larger the post-reform primary surpluses must be to achieve the target debt-to-GDP ratio at the end of the 75-year period. Future generations are harmed by a policy delay because the higher the primary surpluses are during their lifetimes, the greater is the difference between the taxes they pay and the programmatic spending from which they benefit.”[19]

The Pension Mess

On top of federal government obligations, state pension funds are also substantially underfunded. The number is very difficult to nail down, but the American Legislative Exchange Council’s (ALEC) 2021 study pegged that liability at more than $8.2 trillion.[20]

Weakness in the markets after being artificially propped up by the Fed added to their woes. As CNN reported in July 2022, “The 100 largest public pension funds in the United States had been funded at just 78.6% of their total obligations at the close of the second quarter, down from 85.5% at the end of 2021 according to analysis by Milliman, an actuarial and consulting firm.”[21]

CNN also noted, “Public pensions are borrowing increasing sums to meet their payout obligations,” which seems like a really bad idea and the foundation for a future bailout (and is borderline gambling). This included some of the largest pension funds in the nation, including the California Public Employees’ Retirement System (CalPERS), as well as the Teacher Retirement System of Texas, the country’s fifth-largest public pension fund according to CNN, which they report have been using leverage funds since 2019.

Gambling and taking additional risks are among the only things keeping pensions from imploding, an unwise and unsustainable strategy. This was illustrated across the pond in October 2022 with a UK pension fund crisis, where pensions faced margin calls from the declining value of what they thought were “safe” assets to leverage—government bonds.[22]

The other thing helping some pension funds was President Biden. That is —union pension funds. Some unions, which are supposed to provide better outcomes for the individuals they represent, apparently are about as good as

the government when it comes to making promises they can't fulfill. As a result, certain unions are costing you twice: union labor adds costs for the goods and services you buy, and then you also have to bail out their pensions.

As part of the American Rescue Plan passed in March 2021, and with further changes made into and during 2022, President Biden signed into law the Butch Lewis Emergency Pension Plan Relief Act, which helped to bail out what is called "multiemployer pensions." The Pension Benefit Guaranty Corporation (PBGC), a government agency tasked with backstopping pensions, says, "A multiemployer plan is a collectively bargained plan maintained by more than one employer, usually within the same or related industries, and a labor union."

Many union pension plans across the nation are also massively underfunded by billions of dollars. With this bailout, the PBGC had provided "$6.7 billion in Special Financial Assistance" by mid-July 2022 and, at that time, was reviewing applications for another $36.9 billion.[23] The full amount of this taxpayer-funded union pension bailout is estimated to be $74 billion to $91 billion.[24] Worse, no material structural overhauls were made as part of this taxpayer-funded bailout, which means there is a likelihood of more funds being asked for in the future.

Adding insult to injury, this was ongoing, all while the markets were having a historically bad first half of the year. For the first half of 2022, $8.5 trillion in value was wiped from the S&P 500, and an estimated $3.4 trillion in value was lost in retirement funds.[25] Average Americans found their retirement funds down, yet still had to bail out the union funds—another government-enabled wealth transfer.

Almost everything that the government and its cronies touch is underfunded and a future liability. They know this, and it is driving much of the new financial world order behaviors.

These liabilities give the government a big incentive to ensure that you own nothing by getting in between you and your wealth and future inheritances.

The Epic Cash Grab

Given that there is all this cash that the government is salivating over for its needs and wants, what's the plan to shift it from a voluntary wealth transfer

(from those who earned it to their families and other beneficiaries) to a forced wealth transfer (to the government)?

The mechanisms rely on wealth taxes and inheritance taxes.

A wealth tax is a ridiculously bad idea. It's an idea so bad that nine European countries have abandoned it. You may want to import cheese, wine, or fashion from Europe, but economic ideas aren't something you want to import from there, particularly economic ideas too progressive for those economically socialist-leaning countries.[26]

Given that these types of taxes are such a bad idea, naturally the Biden administration has been pushing them hard.

Biden's secretary of the Treasury, Janet Yellen (yes, the same Janet Yellen who bungled raising interest rates as Fed chair and couldn't see inflation coming when it was right in front of her), has spent a lot of time trying to sell the "wealth tax that's not really a wealth tax, except that it is" proposal.

In late October 2021, Yellen went on CNN's *State of the Union* program to talk about a proposal that would be a tax on unrealized capital gains of "liquid assets held by extremely wealthy individuals—billionaires . . . I wouldn't call that a wealth tax," Yellen said, but rather a means to "get at capital gains that are an extraordinarily large part of the incomes of the wealthiest individuals and often escape taxation until they are realized and often they're unrealized. . . ."[27]

This complete word salad might be dismissed as the rantings of a crazy person, and the latter notwithstanding, it contains some very dangerous conflations and ideas.

Let's first be clear that "unrealized capital gains" is a theory, not a reality, and it is definitely not income. It is not something to be normalized because it's meaningless in the real world, particularly in that which relates to taxes. We should call it for what they are proposing by it: the unlawful seizure of personal property.

Income taxes are paid on income. You have to actually have income to be taxed on it by the federal government. While it's a deeply flawed system, it is less flawed than trying to tie taxation to wealth.

Unrealized capital gains is the theoretical positive difference at any point in time between what you paid for something (or the cost basis given to it) and what it is estimated to be valued at in the market at that time. I note the positive difference because when you take a risk, the value of an asset can

also go down, which would be a theoretical loss up until the time you sell it. But, of course, they never talk about giving you benefits on theoretical losses, only taking theoretical gains.

Because you do not lock in a gain (or loss) until an asset is disposed of, you do not have any income on a given investment until that time. The price could go up and down over time, and you may not be able to find a buyer at a suitable price.

Also, if people who owned large parts of companies, such as company founders, were forced to sell some of their stakes, it would put downward pressure on the stock's overall market price (including from more supply of stock in the market). They would unlikely realize the "estimated" price from such a sale. Plus, the value of all the other shareholders' stock would also decrease.

This would also jeopardize the founder's ownership stake in the business and how the company is ultimately run.

Yellen's intentional conflation of wealth and income is meant to get people to abandon the principle of property rights. Once you cede the principle and believe that the billionaires don't have full property rights, you are saying that the guy with $30,000 doesn't, either.

It's incredibly naïve to think that "they are only going after the billionaire/wealthy" crowd. The government consistently enables wealth transfers to the wealthy and you think that's going to change? Who has the money and connections to support lobbying and their reelection?

Do you think *that's* who they are going after?

"We are going after billionaires" is a trick they use to get you to give up your principles so they can come after you.

The Biden administration isn't seeking to hire eighty-seven thousand new IRS staffers because of "billionaires." They aren't going after the wealthy; they are creating barriers for you.

As we know, even if they took the billionaires' wealth, it wouldn't put a dent in their needs.

Plus, if they did go after the wealthiest individuals, we would have a mass exodus from the country, which would be a substantial hit to tax revenue overall, given that the top 1 percent paid 38.8 percent of 2019 federal income taxes, more than the bottom 90 percent combined, as well as a drag on future productivity and growth.[28] Or the mass selling would force changes in ownership of companies and would upend the stock market,

effectively kill ownership opportunities for everyone, and tank the entire financial system.

So, who do you think will end up with loopholes to exploit, and who do you think will end up owning nothing?

It will be sold as going after the wealthy, but what the government truly wants is that $84.4 trillion estimated to turn over, plus the trillions more that are in homes, 401(k)s, IRAs, and other investments. That is the real prize.

Any sort of wealth or capital gains tax has significant implications for individuals. If your stock portfolio is doing well one year, they just may force you to sell your stocks to cover this pretend, theoretical “gain.” Or, imagine you bought a house for $300,000. Now, thirty years later, Zillow estimates it is worth $2 million. You could owe taxes on the theoretical $1.7 million difference in value. If you don’t have cash available to pay for that—which most likely you won’t, because, as we discussed, the largest portion of people’s wealth is tied up in their homes—you would have to sell your house to cover that tax bill. Imagine this scenario across every asset class, including family businesses and farms, retirement accounts, or even a painting on your wall.

Think of the farmers we discussed who are “asset rich and cash poor” having to sell their land and rent it back just to operate. Even more of that would happen, leaving only the richest—maybe even eventually the government—as the buyers.

Ultimately, this is why many European nations bid adieu to their attempts at wealth and similar taxes. NPR said of this exit, “it was expensive to administer, it was hard on people with lots of assets but little cash, it distorted saving and investment decisions, it pushed the rich and their money out of the taxing countries—and, perhaps worst of all, it didn’t raise much revenue.”[29]

Despite that, taxing wealth and property in whatever form remains a temptation for heavily indebted governments and is not likely to go away.

They want to get their hands on this wealth as early as possible, but if that doesn’t work, changes to the inheritance tax are another way that government can get their hands on this epic amount of wealth set to be transferred.

The *Wall Street Journal* in 2021 wrote:

> The pending wealth transfers have caught the attention of the Biden administration, which recently proposed reducing a $40 billion annual tax break that has been the cornerstone of estate planning

> for generations of Americans. Today, people who inherit assets that have risen in value, such as stock held outside retirement accounts, a family home or a three-generation manufacturing company, don't pay capital-gains taxes unless they sell. If they sell, they can exclude gains that occurred during the prior owner's lifetime. Under the Biden proposal, the owner's unrealized gains would become taxable in the year of his or her death, although each person would receive a $1 million exemption, plus $250,000 more for residences. The proposal would also raise the top long-term capital gains tax rate from 23.8% to 43.4%.[30]

The *Journal* also noted the impact on family-owned businesses as a sticking point, saying, "Some lawmakers say the changes could force families to sell farms and other businesses to pay the tax bill."[31]

There is wealth to be had, there are government liabilities that need to be addressed, and your ownership opportunities are standing in the way of the latter. It's a make-or-break situation that needs to be monitored and then acted upon very carefully.

It makes you wonder how long the government has been eyeballing boomers' wealth as they have spent like drunken sailors.

It is also worth considering how social credit and CBDCs, along with existing tax policy, could be used as a mechanism for this potential wealth heist.

Between the quest for grabbing your money and the continued debasement of the currency, if you are able to pass on or inherit any money at all, you will then have to worry about what it's worth. The financial war is coming for your wealth from every angle.

Chapter 11

Own Everything

The Battle to Take Back Your Wealth

> You only have power over people so long as you don't take everything away from them. But when you've robbed a man of everything he's no longer in your power—he's free again.
>
> Aleksandr Solzhenitsyn

You may be demoralized at this point in the reading, but I don't want you to be. I want you to be fired up. I want you to own everything possible, fight back against the infringements on property rights, and build wealth that helps keep economic freedom and the American Dream in place.

You will need more intention in your way of living. This includes actions you can take as an individual, as well as actions you can take as part of a community.

I will share some of my and other experts' best tips regarding the areas we have spoken about. Hopefully, armed with the information I have shared thus far, and some of your own ideas, you will take action.

In areas where new ideas and possibly even rules or regulations need to be implemented, we have to balance the benefits of scale in terms of cost, access, innovation, and other factors with the costs of centralization and consolidation power that also come with scale. Thoughtful approaches are imperative, as we have explored how good ideas can often lead to bad outcomes.

Please note that these are general suggestions for you to explore and research. Any financial advice needs to be individually tailored to you and account for your objectives, current portfolio, risk tolerance, and more.

Please consider speaking with a financial advisor to craft a long-term plan tailored for you.

Beef Up Your Balance Sheet

I am a big advocate for doing the opposite of what the lunatics and bad actors are telling you to do. I am also an advocate of "following the money"—learning about and replicating what those in charge do (instead of what they say).

None of the people predicting a lack of ownership by 2030 are giving up their property in their lifetimes. We have seen the wealthiest people accumulate more land, for example. That gives you a signal about land as an investment.

You are going to have to be more disciplined around money and finance. Money isn't everything; you need to balance your life with family, health, and other endeavors. However, a favorite saying I've heard is that while money doesn't buy happiness, it is more comfortable to cry in a Mercedes than on a bicycle. It is also more comfortable to cry on a bicycle than in a cardboard box on the streets. So, you need to actively fight back against the popularization of non-ownership.

Of course, the first step is making sure you are free and clear of any nonproductive debt—the debt used for expenses (versus the debt used to boost your investment returns). Do whatever you can to increase your income and cash flow and decrease your expenses so you can eliminate all your debts.

Doing this requires knowing the difference between expenses and investments. Lean away from expenses as much as possible and lean into investments.

Once you have done that, create a well-diversified investment portfolio that includes more tangible assets. Focus particularly on productive assets that can retain or increase their value, and take a long-term view of asset accumulation and appreciation.

In terms of housing and land, I will discuss that in more detail below.

Regarding business ownership, there are a few ways to approach it as a means of accumulating wealth.

One way to own part of productive companies is via the stock market and buying stock in publicly traded businesses.

If your employer offers a 401(k) match, max that out; that is extra income you can get from your employer, and it is tax deferred.

In terms of overall investments, if you aren't going to do the work to evaluate individual stocks or don't understand them well enough to analyze their metrics, typically owning a diversified set of indices, like the S&P 500, can make sense for a portfolio. If you are going to put in the work to look at individual stock ideas, I always recommend companies with strong balance sheets and big "moats" around their businesses (aka strong competitive advantages).

If things go badly, think about the kinds of companies that are critical and that we can't live without. Those businesses will still have value and may be worthy as investments for your portfolio.

The same diversification approach should be taken with regard to any allocation of funds in bonds or other debt instruments.

Also, look to where the wealthy and well-connected people are investing and advocating. If they feel comfortable in certain arenas and are going to manipulate capital allocation and laws to favor certain companies, pay attention to that. If you can't lick 'em right now, join 'em until you can.

Given the broader trends for the future that we have discussed, make sure to talk to your investment advisor about the appropriate equity position for your portfolio. Suggested allocations may be different today than what was recommended for you in the past.

If you meet the criteria of being an "accredited investor" and can forgo some liquidity, you may want to look into private traditional and alternative investments. At the time of writing, the SEC considered individuals accredited investors if they (including a spouse or partner) had a net worth that exceeded $1 million, excluding their primary residence, or income exceeding $200,000 (individually) or $300,000 (with spouse or partner) for the last two years and expected for the current year.[1]

Looking at private investments can be effective in certain areas. For example, currently, private companies aren't being forced to comply with ESG in the same way that public companies are, and you may find some solid opportunities. Just make sure they aren't in imminent danger of being regulated out of existence and that you understand the fee structures and liquidity constraints that come with private investments.

Get Hedged

You may have concerns related to the dollar's reserve currency status and devaluation and the implications for stocks and equity. That is why you should have a well-diversified portfolio that includes hedges.

In layman's terms, the concept of a hedge is one or more investments positioned to offset the other investments in a portfolio. These are investments expected to go up or remain constant, or at least lose less value, when others in the portfolio go down for various reasons.

Some people think of hedges as insurance policies against the growth areas of their portfolios. I like to say they are positioned on the "FOLM" side of your portfolio versus the "FOMO" side; they are meant for those with the "fear of losing money" to provide stability versus the "fear of missing out" on the high-flying, growth-oriented, and/or more speculative assets and investments. Hedging helps you to protect and preserve your wealth.

Given what we have discussed in this book, hedges are important, and gold and other precious metals should be evaluated as a potential part of your diversified portfolio.

Gold has had an enormously long social contract backing its value. Its value has endured, according to researchers, for at least five thousand years. That's a substantial track record through all kinds of financial cycles. While the past never guarantees the future, it's a compelling data point.

Moreover, we know that several central banks have been shedding dollars and replacing them with gold. If there is a financial reset or collapse, it is possible (though, again, not guaranteed) that gold will play a role in a new global monetary system.[2]

Jim Rickards, the previously discussed economist, author, and financial expert, also suggests holding gold to protect your wealth against the debasement of the dollar (and other currencies). Rickards shared that during an interview at Harvard's Kennedy School of Government, where then-European Central Bank chair Mario Draghi (pre–his prime minister of Italy days) was asked about gold as a reserve asset, Draghi said he never sold an ounce. Draghi's comments included, "Well, you're also asking this to the former governor of the Bank of Italy, and the Bank of Italy is the fourth-largest owner of gold reserves in the world, which is out of all proportion to the size of the country. But I never thought it wise to sell it, because for central banks this is a reserve of safety, it's viewed by the country as such. In

the case of nondollar countries, it gives you a value-protection against fluctuations against the dollar, so there are several reasons, risk diversification and so on."[3]

Plus, gold is more portable than people believe. Sadie Sayyah, president of Goldline (with whom I have a working relationship), says that at today's values, a million dollars' worth of gold can fit into a shoe box.

The most important thing for gold in the "own everything" scenario is that you purchase physical gold. If you buy "paper" gold on an exchange, that exchange may not own the underlying gold (you may be buying a promise). It adds a layer of risk in turbulent times.

Entrepreneur and metals investor Jeff Thomas wrote, "The trouble with ETF's is that, since the fund may not actually purchase the gold, since they have only issued a promise to purchase the gold if it becomes necessary, the fund only works as long as gold trading remains fairly stable. If, however, there is ever a rush on the part of purchasers to take delivery of their gold, ETF's will be the first to go under."[4]

So, purchase physical gold if you are going to own it for purposes of our "own everything" endeavor. In addition to gold, you should explore other precious metals, alternative assets, and real estate.

Business Equity

Back to business ownership: if you don't own your own business, look for a job where you can get equity in the value you are helping to build. Many employers are willing to grant stock options as part of a compensation package, whether the firm is a public company or a private company that may be sold, pay dividends, or go public one day. If you believe in the company and the work it and you are doing, this is a way to gain an ownership stake in what you are building and participate in future growth.

If you own a business, you will have to do an in-depth risk assessment and figure out, given the government, Big Tech, and all the issues we have discussed, where your vulnerabilities are and shore them up to have value endure. You may also want to explore exit strategies on an ongoing basis. At some point, it may make sense to lock in the value you have created in your business, take that capital, and diversify it into a broader investment portfolio.

If you are considering buying or building a business, have an advisor help you sort through and prepare for these emerging risk factors on top of your typical business risks.

Also, look into assets that have other uses or may have value during distressing times that you can potentially use as currency. We know that in times of strife, guns and ammunition will have value, but everyday staples can also become valuable as a currency.

The bottom-line message here is to invest, and invest in tangible assets that can grow in value on a risk-adjusted basis.

Fighting ESG and Investment Manipulation

As discussed, the bad actors and profiteers are working overtime to make ESG and derivative initiatives, including impact investing, more prevalent. Their actions include directing capital away from critical resources and other industries and companies they are targeting, as well as slapping an ESG-type label on their products and services as a way to extract fees.

We also saw that many states, from Arizona to Florida and West Virginia, have begun pushing back against ESG and similar endeavors. Get your like-minded neighbors and community groups together and write, call, and show up to state officials to express your concerns over ESG. Tell them you believe it violates the company's fiduciary duty to protect your investments. Lean into the antitrust allegations. Go hard on this. People often march and protest for social issues, but rarely do we see action when it impacts the ability to accumulate wealth and secure our financial foundation.

Communicate to the companies you patronize and invest in. Generate writing campaigns about how ESG is diverting resources away from benefiting shareholders and customers.

Pull your money, patronage, and support from companies that repeatedly act against your interests. Consider a lawsuit if you believe a company's directors have acted in a manner inconsistent with their fiduciary obligation.

Contact local media, stage peaceful protests, and lead awareness campaigns.

Companies are economic animals. They are embracing ESG and other manipulated investment endeavors because that's what they believe will be in their economic interests or at least mitigate their risks. The quickest way

to shut ESG down and get companies to switch their positions is to make it in their economic interest to move away from ESG and similar initiatives.

At the time of writing, there were some proposals, like the Index Act, to reduce power from mega-financial companies like BlackRock, State Street, and Vanguard, which not only manage a substantial amount of assets, but in many cases allocate money passively (aka through index funds). *Barron's* reported that these three firms "vote about one quarter of all votes cast at annual meetings."[5]

This gives them more power in voting if they vote "on behalf" of the shareholders. There is both an organic and a legislative movement to allow more individuals to vote, but some issues remain. One is that individuals often don't take the opportunity to vote by proxy. Lee Reiners, executive director of the global financial markets center at Duke University School of Law, told *Barron's* that the issue is more complicated: "The people who are allocating funds to BlackRock, Vanguard, and State Street are state pension funds and union funds, and they're the ones who would then have the right to vote the shares and, in a lot of instances, the people who run these pension funds are of like mind when it comes to ESG issues with BlackRock, Vanguard, and State Street."

This means that more work needs to be done to put pressure on larger managers of capital, such as pension funds, to not abuse their voting power and to allow the individuals represented to have more of a say.

Note that in February 2023, Vanguard distanced itself from some ESG endeavors, including withdrawing from the Net Zero Asset Managers initiative.

Legal action must be taken against the Department of Labor's rule allowing pension managers to consider ESG factors.[6]

Remember again that knowledge is power. Spread the word. Most people aren't even aware of these issues because they are intentionally confusing, and the corporate press is not shining a light on them. The more people you can teach about them, the more allies there will be to fight back.

Additionally, the pipeline to ESG (and similar concepts) becoming normalized starts in school, where kids are indoctrinated about climate. This indoctrination sets them on the path to activism and becoming useful idiots, and eventually they will be bringing those beliefs to work in corporate America. Make sure to teach your kids the truth regarding the environment and other subjects, and extol the merits of economic freedom.

Technology

On the tech front, there needs to be a reasonable standard for companies that operate as infrastructure and digital “town squares.” Cutoffs could be based on scale (such as the number of users and/or revenue), volume and scale of competitors, or other metrics. However, anything codified should not act as a mechanism to handicap small players, prevent competition, or otherwise give advantages to the largest companies.

For example, it makes sense to protect the principle of free speech for mega town-square sites like YouTube, Facebook, and Twitter, but not on a small hobby forum for car enthusiasts. The definitions need to be fleshed out yet still vague enough to keep pace with technology (just like free speech applies to computer-generated writing as much as it does to that done with a quill and pen).

Town-square platforms should not be allowed to censor speech unless it goes against the basic principles of free speech, which includes not violating others’ natural rights. That means you cannot make threats of actual violence, do something illegal, or interfere with another’s privacy, for example, but you can be mean, say things that aren’t true, or express unpopular opinions (with exceptions being libel and other actions that infringe on another’s rights).

Collusion on censorship or other matters should not be tolerated between the government and any such platforms, nor between platforms.

The platforms should lean toward removing content as a remedy rather than suspending accounts, with the exception of people who flout legal standards several times in a short period. There should be a path to redemption for restoring accounts. Should accounts be suspended, users should be able to, at their discretion, post information on how to otherwise be in contact with them and their work (similar to how a post office can provide a forwarding address when you move).

For this, the platforms get to keep their liability exception as a platform instead of a content publisher.

You should not be forced to grant a license to your content to platform owners or third parties for free, outside of the scope of display on their platform. You should retain ownership of whatever you create.

Other infrastructure, such as web-hosting and payment services, again, properly defined, should not be able to refuse service unless you are

conducting illegal activity. Having a moral issue isn't relevant to their providing infrastructure any more than the phone company historically providing phone service to people they may have found objectionable.

Again, no collusion or coordination that would infringe on rights should be tolerated between these entities and other technology companies or government entities.

Ownership of your physical and digital identity is paramount, along with privacy, particularly as surveillance, body ID recognition, and similar tech becomes more pervasive.

Clarity here benefits individual rights, as well as the tech companies. If this isn't codified federally, how will companies be able to build tech that complies with the various state and local regulations? A piece in *Forbes* about having an AI Bill of Rights notes that if laws are made locally, it would be "nearly impossible for a technology vendor to address hundreds of permutations of similar-but-different laws."[7]

Platforms should not be able to censor or meddle in elections, absent existing laws related to foreign election interference.

There are likely some other areas to consider, but this would be a welcome start in protecting rights in a way that isn't also anticompetitive or overly burdensome.

I interviewed Ron Coleman, a partner at Dhillon Law Group and advocate for free speech and religious rights, including internet-related and First Amendment advocacy. He is known for his successful representation of Simon Tam and The Slants and the tenet of free speech in *Matal v. Tam*, whereby the Supreme Court ruled that prohibiting the registration of "disparaging" trademarks was unconstitutional.[8]

Coleman has been active in holding tech accountable to a fair and consistent standard of rules. He told me, "What we're doing is trying to get the courts to recognize this distinction that the government is already using tech companies as proxies for what the government themselves cannot do themselves, and that . . . judges and legislature and legislators and regulators need to take a more mature look at what is going on," in terms of the digital sphere.[9]

Coleman and I agree. While we would like to defer to free market capitalism, what we have today is nowhere near the free market. Coleman referred to it as "state capitalism." He further acknowledged that looking to

regulation is tricky because it involves trusting the government, but in some sense, the current state of affairs is even more untenable.

He said, "Right now [the government] is certainly not our friend, and they're not going to become any more of our friends in the in the future. . . . Nonetheless . . . there's no accountability whatsoever in the regime that we are operating under now. The technology companies . . . on the one hand, they don't answer to customers because they're too big to answer the customers, and on the other hand . . . they don't in any meaningful sense answer to shareholders" because of their size and power.

He reminds us that while we want to protect individuals, such as shareholders, from liabilities, there still needs to be accountability at the company level. His example was if an iPhone blows up in someone's hand, the holder of a handful of shares in their retirement account shouldn't be personally liable.

Coleman argues that while there will be mistakes in making legislation and where we draw the "bright line" between these companies that are de facto governments and digital infrastructure, we still need to start somewhere and adapt over time. Otherwise, he warns, we are headed to an "illiberal" system of social credit or worse.

As for solutions, Coleman leans toward private companies being able to have any types of rules they want, but says that those rules need to be applied consistently and as written and not shifted based on politics or other factors. Basically, in my own words, a rigid equal standard.

He also believes individuals need recourse for actions like censorship or termination. His suggestions include not only a process of appeal to be heard but also some type of arbitration if you are not satisfied with the outcome.

Own Your Behaviors

In addition to supporting rights protections, technology's impact lies heavily in your awareness and behaviors.

Outside of the legal realm, consider de-technifying aspects of your life and encouraging others to do the same. Go analog instead of inviting invasive technologies into your home. Alexa isn't your friend, nor is Siri or any of the other robots with cute names.

Most importantly, use your dollars and time to support smaller companies and those making an effort to consider you a partner, not a product. Do what

you can to not support companies actively working against you. This is hard, and sometimes making changes come with consequences that don't make sense for you, but where you can, use your resources thoughtfully and intentionally.

And don't forget to make investing in tangible assets a habit if ownership and wealth creation are important to you.

Protecting Your Family from the Government

While it seems like there is little hope for restoring government to its intended purpose, we must use the tools available to us, whether the courts, voting, or lobbying our representatives to try to effect change. This means that you need to take action, which is an important theme in this chapter.

I interviewed Larry Salzman, the director of litigation at Pacific Legal Foundation, a national nonprofit organization that defends Americans from government overreach and abuse. Organizations like Pacific Legal Foundation have been doing tremendous work, using the courts to take on the administrative state at the state and national levels.

Salzman's expertise centers on property rights and economic liberty. According to his biography, his cases have involved "eminent domain, civil forfeiture, regulatory takings and exactions, the Commerce Clause, and challenges to occupational licensing and 'certificate of need' laws that infringe on the constitutional right to earn a living."[10]

Salzman said, "my earnest belief is that we're probably in a better position today than we have been at any time in the last fifty years, to, at least with respect to law, to challenge what I would call the post–New Deal settlement, whereby courts, would sort of step aside from the administrative and executive branches, and let them regulate to the heart's content, particularly if it involves property or economic rights. That is really under reconsideration."[11]

One case Salzman cites is *Knick v. Township of Scott, Pennsylvania, et al.*, related to the rights of a woman and her small farm in Pennsylvania.[12] He says, "in the course of the decision they said things like, the takings clause or the clause protecting property rights in the Constitution is as important as every other provision of the Bill of Rights and should get equal protection.

They said that the property rights are not second-class citizens under the Constitution. So, this court is voicing real support for property rights."

While Salzman notes that some foundational work is going on to restrict the rise of the administrative state, individuals should continue to use the courts (and groups like Pacific Legal Foundation). Also, more work needs to be done via exercising your vote and putting more pressure on your representatives by writing, calling, etc.

You may want to consider donating to or volunteering with organizations and individuals who are doing this type of work and fighting government overreach.

Protecting Your Kids

The indoctrination of kids in many schools around the country is becoming a more significant cause for concern. It impacts future generations' ability to have freedoms and agency and to pursue wealth creation.

As in other areas, many experts suggest getting involved at the school board level.

Moms for Liberty shares a variety of resources and links on their website, including the Protection of Pupil Rights Amendment and related resources, how to submit an open records request, and other expert resources.

Tiffany Justice, a cofounder of Moms for Liberty, emphasized that it is important to expose what is happening in schools as quickly as possible to bring about change.[13]

Justice also said that it is essential for parents to opt their children out of school surveys. This is because the data collected via those surveys are being used for various nefarious purposes, many of which are being pushed by organizations seeking to emphasize social and emotional learning over academic excellence, equity over equality, and collectivism over free choice. "It's how they prime the children for indoctrination," Justice said, "and it's how they prepare a next generation of children to own nothing."[14]

Education Costs

As we explored, one of the key methods to ensure you own nothing is saddling you with debts. Regarding education or accreditation, it is crucial

that you (or your friends, acquaintances, and loved ones) don’t take on more debt than you can pay back.

My rule of thumb is that you shouldn’t graduate with more debt than you will be making three to five years out of school. So, if by year three, you expect to be making $80,000, that would be your maximum debt. Whatever you (or someone you know) take on, cut as many expenses as possible and work to pay it back in no more than five years. The exception is, perhaps, seven years if you are getting an advanced degree where you expect to make multiple six figures. But, again, that is the exception.

If you cannot pay it back and don’t work to do so, it will become a burden and a wealth destroyer.

That is, if college even makes sense for your profession. There will be ongoing shortages in lucrative areas from airline piloting to plumbing, so evaluate your options early. Also, more companies are considering certificates to be college equivalents.

If you work in a company, advocate for shifting and expanding what criteria are used to evaluate candidates and work to lessen the reliance on college as a be-all, end-all hiring factor.

Spread this information far and wide. Postsecondary schools can only continue to be complicit in creating barriers to wealth creation if students are willing to take on loans and pay the price.

Housing

Get your hands on tangible property that you can afford. Affordability is the key—buying something that ultimately is out of your price range and that you have to walk away from one day is a waste. So, this needs to be done, as with any investing, with careful thought and analysis.

Buy your own home. If you can buy land and water rights, that is great, too. If you can’t, perhaps you and a group of like-minded folks can. Maybe you and a group can help farmers retain their land, work it, and keep it away from large corporate interests and bad actors.

Speak to your accountant in this endeavor, as certain types of land may have associated tax advantages. Farms meeting specific requirements have various available tax breaks, including those related to property taxes.[15]

Generally speaking, look to own property in states that are more friendly to ownership in terms of their laws, including those with lower property

taxes. Look for better local governance where you can make an impact.

Jim Rickards is also a proponent of buying real estate, particularly land that has a productive use, whether it is income-generating, land that you can farm, or land from which you can derive other resources, such as water.[16]

And please do make an impact. Run for local office. Encourage those you know and trust to do so as well.

Finally, don't forget that you also have to be able to protect that in which you invest. For land and property, have the appropriate protections in place, from physical protection to insurance protection.

When it comes to exiting properties, there are some actions you can take as well.

Some homeowner associations (HOAs) are fighting back against corporate buyers to preserve property-buying opportunities for individuals and ensure property maintenance.

The *Wall Street Journal* reported that "tactics include placing a cap on the number of homes that can be rented in a particular neighborhood, or requiring that rental tenants be approved by the association board. In most cases, associations need at least a two-thirds majority to pass these measures."[17]

I like this measure better than a pure no-renting or no-corporate-buyer rule, as it gives homeowners more flexibility should the market downturn for limited or extended periods. It can also ensure that smaller landlords aren't pushed out of the market.

Of course, some states are going to make it difficult. Not surprisingly, California is one of them. The *Journal* reports, "As part of an effort to encourage homeowners to build small rental properties on their land, California now prohibits associations from imposing some limits on long-term leases."[18]

Personally, consider not selling your home to a corporate or foreign buyer unless you have substantially exhausted your options to sell to another individual. I want you to get as much as possible for your home sale, but remember that in a free market, your choices are important, too.

Larry Salzman of Pacific Legal Foundation has also been working to ensure that your home isn't taken for small infractions, such as not paying a fine. Salzman calls it home equity theft, and he says there are still twelve states where if you get behind on property taxes, for example, they don't just

come after that amount: they can foreclose on the entire home and take any equity above and beyond what is owed.[19]

Pacific Legal Foundation is working to end this practice in all states where it exists, having been successful in defending clients in various states. They are not only petitioning the Supreme Court but have also been successful in drafting legislation accepted at the state level.

Salzman also suggests that pushing back on zoning laws is a way to ensure more prosperity, noting that, like our good-idea-to-bad-outcome model, some of the intentions make sense, but they have become onerous and extremely costly over time.

Inheritance Planning

As we reviewed in the previous chapter, inheritances are estimated to be worth $84.4 trillion in the next two and a half decades. You must do everything you can to preserve that wealth for your heirs.

The government is likely counting on the masses not doing robust estate planning; that way, it will be much easier for them to seize that wealth.

That means hiring an estate planner. Andrew Egan, an estate planning expert and fiduciary litigator at Bressler, Amery & Ross, said that while for many middle-class Americans a bulk of assets pass down through beneficiary designations, it still makes sense to put more structured legacy plans in place. This likely includes a will and one or more trusts, which may seem scary and sophisticated, but shouldn't be. He noted that trusts can be tools to help protect passing your assets with less of a tax burden.[20]

Egan emphasized that it is critical to get professional help, as different states have varying rules, regulations, and tax provisions that you need to be aware of on top of any federal laws and taxes.

Planning now is important, as rules often change, but Egan noted that previous actions may be "grandfathered in" when rule changes are made. Acting now can help you possibly avoid future rule changes (although not 100 percent guaranteed).

As a way to avoid future inheritance grabs, gifting assets during your lifetime can also be a hedge against that possibility. Egan says that you can gift money or assets worth up to $16,000 (based on 2022 limits) per person per calendar year and that the amount often is revised upward over time.

Gifting, within limits, can be an effective way to transfer wealth over time to loved ones and not have to worry about changes to inheritance taxes and rules.

A quick plug from the author here: consider filling out a legacy planning system, like the one I created (Future File, at FutureFile.com), so that your loved ones know your wishes and information and can access everything they need should something happen to you.

Egan also noted that talking to your estate planner about long-term care planning is critical in terms of maintaining your wealth. As people are living longer, more of their wealth is being eaten up by the skyrocketing costs of care later in life. Planning for that with a professional can also be helpful in terms of preserving wealth for future generations.

As an individual or, again, with community groups, actively speak out against any forms of wealth taxes or enhanced estate taxes for anyone. Once that door is opened, as we have seen, class creep comes in. If you are okay with billionaires' wealth being confiscated, it won't be long until it happens to you.

Be diligent and vehement, including calling your representatives.

Fighting Social Credit

Writer Spencer Lindquist eloquently surmised that "[t]he enforcers of America's emergent social credit system are most empowered when they can cut you off not only from your job, but from your community and all other sources of support. The remedy? Establish genuine, in-person authentic communities built around shared values."[21]

Lindquist further notes the difference between online and offline "friends" and connections, and how they may be valuable should you be accused of wrongthink. As others, including radio and TV host Jesse Kelly, have advocated, building strong communities with like-minded people who will be your allies in pushing back against systematic nonsense is critical. Kelly has suggested moving to states and locales to what he dubs "Balkanize" (aka fortify) them and becoming an activist where you live. His suggestions have included getting onto local school boards and running for city council or state house positions, as well as patronizing businesses and hiring people who are of like mind.[22]

Lindquist reminds us:

> These same social bonds that can protect you from cancellation must be put to use in a proactive, not just defensive, capacity. Voting isn't enough. Get involved in all aspects of public life. Run for office, write for local papers, show up to school board meetings, and be present anywhere voices are heard or decisions are made.
>
> Use these grassroots bonds to build high-trust communities that can propel members to powerful positions. In those capacities, they'll be able to provide air cover for the grassroots by leveraging their institutional support for the benefit of the community.[23]

Action is a recurring and crucial theme in this chapter. You cannot be passive and expect that you will have the same opportunities available. You must be willing to go on the offensive to protect your rights, individually or with others by your side.

Fighting the Fed and the Devaluation of the Dollar

Central banking is a failed experiment. At least for the average person. While it may have served the intentions of those elites it has benefited, it needs to be stopped to preserve any value that remains today in the US dollar.

While many people would tell you to end the Fed, the need is more nuanced than that. What should be ended is their powers. Ending the institution and moving the ability to print dollars from nowhere and increase the money supply on a whim to Congress would be even worse than where it stands today.

The current mess needs to be cleaned up and monetary expansion frozen until productivity can catch up. Then any monetary expansion needs to be tied to productivity, similar to one of the ideas floated by Milton Friedman, the "K-percent Rule," many years ago. Friedman said that the money supply would grow in concert with GDP growth (or another modest growth proxy that was constant each year) to stabilize the economy and remove the Fed's ability to "print" money ad hoc.[24]

Fiat currency also needs to be shifted to something tangible to remove the ability for Congress to spend at its whim and the central bank or any other entity to devalue the dollar at its whim as well.

A CBDC should be opposed at every turn. Even if it is promised not to be retail-facing, as we discussed, once you build the monster, it will only grow in power.

If it does come to fruition, don't voluntarily use it. That doesn't mean that the government won't try to force it upon us, but we must do everything we can to keep it from succeeding.

Bitcoin and Cryptocurrency

Cryptocurrency, including Bitcoin, has emerged partly to counteract the damage done to the dollar and other currencies around the globe by central banks.

As it is nascent, it's unclear whether Bitcoin fills that void long-term. I think Bitcoin, the blockchain, and other cryptocurrencies are worth keeping an eye on and learning more about, but I want to give you some thoughts as you draw your own conclusions.

Everything of value has value because of a social contract. When people agree and trust the value that something conveys, it is considered to have that value. And that value can fluctuate over time based on the number of people who agree and trust in that value, as well as the scarcity of and demand for the underlying item of value.

While many assets have longer track records, cryptocurrencies have a decade-and-a-half track record or less, depending on the crypto. That doesn't mean that one or more cryptocurrencies don't have the opportunity to endure; it just provides less data on how it thrives or survives in different economic and geopolitical situations.

Cryptocurrencies' lack of malleability in the physical world, their limits as a medium of exchange, and their tie to technology should be considered. Also, the industry has been rocked by hacking, fraud, and other woes, so understanding where there are issues and vulnerabilities is imperative.

My father left me with a handful of foundational financial principles. One of the key ones was never invest in something you don't understand. I am sure you could explain what a gold chain or a restaurant chain is, but do you know what a blockchain is? Cryptocurrencies—even the most established—have a learning curve. Do your research before you allocate any substantial investment.

Anything decentralized and outside of government financial systems is subject to legal threats. In the US, gold was recalled by the government under President Franklin D. Roosevelt during the Great Depression, and individuals did receive some compensation in exchange. Today the US

government and other developed countries' governments seem more concerned with cryptocurrencies, and are actively considering different legislations and competitive digital centralized currencies.

Investor and *The Big Short* subject Michael Burry tweeted, I don't hate BTC [Bitcoin] . . . the long term future is tenuous for decentralized crypto in a world of legally violent, heartless centralized governments with lifeblood interests in monopolies on currencies.[25]

I think that's a tremendous risk. As discussed in Chapter 5, nations are seeking digital currencies to increase centralization. Control over money is a power that they don't want to give up, and they are likely to legislate, tax, and even be prepared to fight for that sovereign power.

While struggling countries are turning to Bitcoin, more established ones have been adding to their gold reserves. According to the World Gold Council, in 2021, central banks around the world added almost 456 tonnes of gold to their reserves, some of that to replace fiat-currency-based reserves, as well as 1,136 tonnes through the end of 2022, the highest amount on record.[26]

While behaviors shift as the economy shifts, I like to look at what the wealthy and powerful are doing as a data point.

The big question is long-term adoption.

As more time passes, this information is bound to change, so, like other investments, you should revisit it periodically. Remember, nobody can predict the future, and a slew of variables can change the course of history.

Economist Nouriel Roubini had been vocal against cryptocurrencies. He told Yahoo Finance in regards to Bitcoin, "It's not scaleable, it's not secure, it's not decentralized, it's not a currency."[27] But Roubini hasn't written off crypto entirely. He has recently been exploring ways to combine blockchain technology with real-world assets to hedge against the issues with fiat money. In combination with a team from Dubai, he is looking at creating a hybrid digital coin. Bloomberg reports, "Unlike many cryptocurrencies, Roubini stresses that the coin would be backed by real assets—a mix of short-term U.S. Treasuries, gold and U.S. property (in the form of real estate investment trusts, or REITs). . . ."[28]

So, his digital alternative is still backed by tangible, hard assets like real estate and gold, as we have been discussing. This is another endorsement for falling back on owning hard assets.

Other pro-asset individuals have included Berkshire Hathaway superinvestors Warren Buffett and Charlie Munger.

Munger has referred to cryptocurrency as a "turd" and "an investment in nothing."[29]

At Berkshire Hathaway's 2022 shareholder meeting, Buffett said he would take a 1 percent stake in all the real estate in the United States or all the farmland in the United States for $25 billion but wouldn't buy the world's supply of bitcoin for $25, saying, "I'll have to sell it back to you one way or another. It isn't going to do anything."[30]

Note again the advocacy from these investment pros for hard assets.

Despite their track records, Munger and Buffett could be wrong. They aren't as focused on disruptive technologies, and times have shifted. However, their focus on what produces value and is a productive asset is important vis-à-vis our broader discussion.

Also, it is worth noting that Berkshire made an investment in 2022 in a digital bank in Latin America that is considered "crypto-friendly," called Nubank. So, despite their protests, there is still some dabbling in at least related areas.[31]

Ultimately, cryptocurrencies have a valid and vital mandate to try to keep money from being manipulated and destroyed in value. Whether they can accomplish that in the long run is still a guess and heavily dependent upon any potential future attempts by governments and central banks to thwart them. Their risk should be evaluated in terms of risk-adjusted return and your desired risk tolerance.

Pursue Happiness—and Assets

Ron Coleman made a plea for courage and stepping up to take back your freedom. He said that you need to lessen your dependence on big organizations and make your income as "unfragile as possible."[32]

Coleman said, "[E]veryone who works for a major corporation or . . . that serves major corporations or anything like it, these people need to understand that either they're going to agree to . . . lose their independence and to become zombies, or they're going to be flushed out. And if they're going to be flushed out they may as well be flushed out now, so they can begin the process of building an independent way to do what they want to do,

and to do what they believe is right so that they can live less of their life in fear and more of their life in being true to themselves once they do that."

Coleman says that speaking up without anonymity can help change the tide of what is considered popular opinion and make some bad actors back off.

He added, "We haven't lost everything yet. There are certain battlefields that we're not going to be able to return to for a very, very long time. These include major cities . . . [and] academia . . . but there are fights that we can win a lot faster. And I would say we should be focusing on those and you know getting the relatively lower line fruit, and also preventing more institutions and more sectors of system from being irredeemable."

He noted that you need to be free in your conscience if you want to be free in all realms. That includes the ability to pursue wealth creation and enjoy other freedoms.

You Are the Counter-revolution

With this financial war and new financial world order upon us, and with the confluence of events and individuals trying to take away your rights, including your property rights and your opportunities to create wealth, the battles are still playing out.

You can win.

Be intentional about creating a well-diversified portfolio for yourself, speaking up and educating others on issues, and taking action individually and with like-minded community members.

The elites are gunning to come out on top and using their propaganda machines to gaslight you. Don't let them.

You will not be happy if you own nothing. The pursuit of happiness runs directly through the town of ownership.

You can stop this from happening. You can fight back.

Gather your friends, family, and community together, make plans, and protect your property rights.

Own everything you can.

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About the Author

CAROL ROTH is a "recovering" investment banker; entrepreneur; TV pundit and host; speaker; economic, business, and financial commentator; content developer; and *New York Times* bestselling author. Her books include *The Entrepreneur Equation* and *The War on Small Business*.

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Carol connects the dots on financial, business, and economic issues for novice and pro audiences alike.

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Carol advocates for small business, small government, and big hair. Coming from a blue-collar family, Carol has worked hard to seize the American Dream, and is fighting to preserve that opportunity for all Americans.

For more information or to connect with Carol, visit CarolRoth.com.

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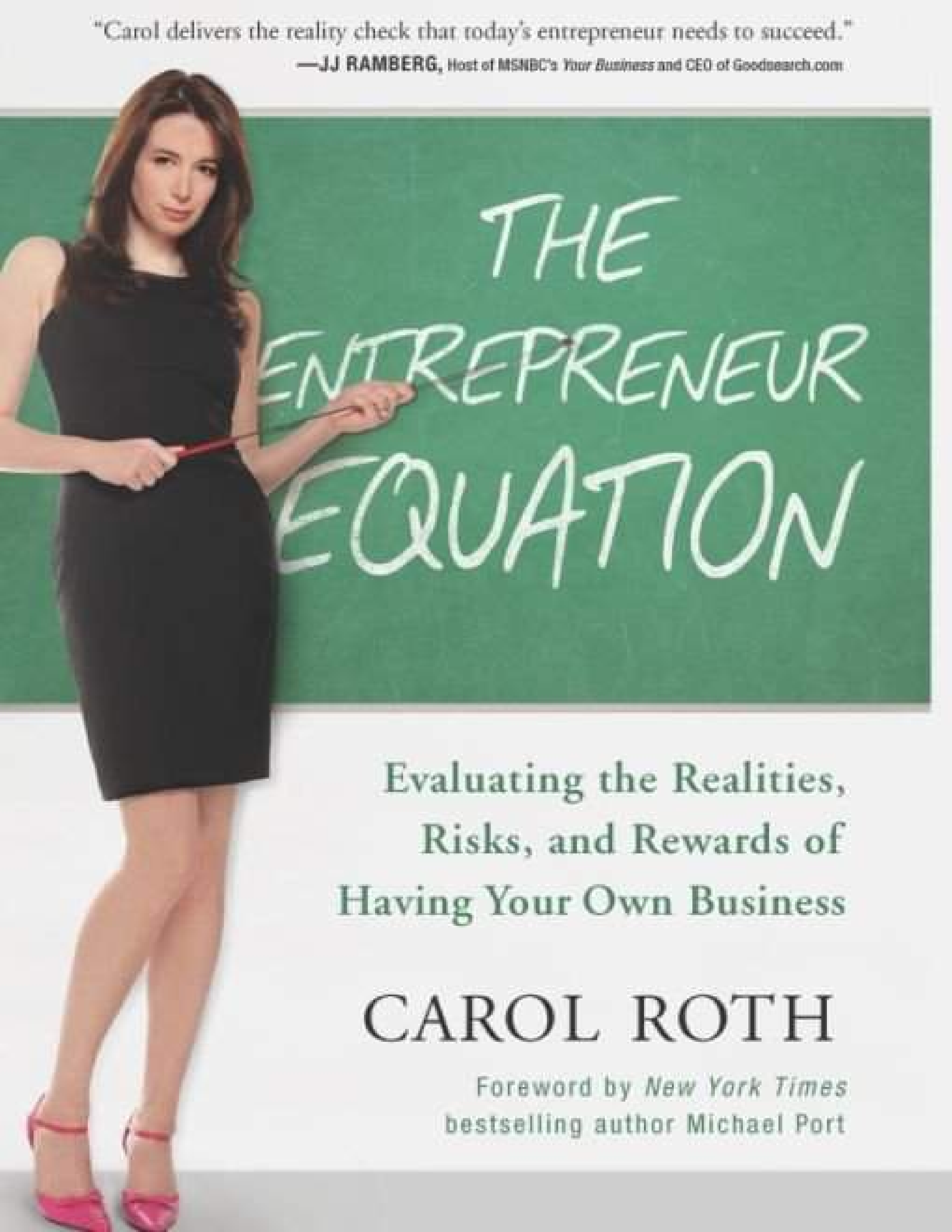
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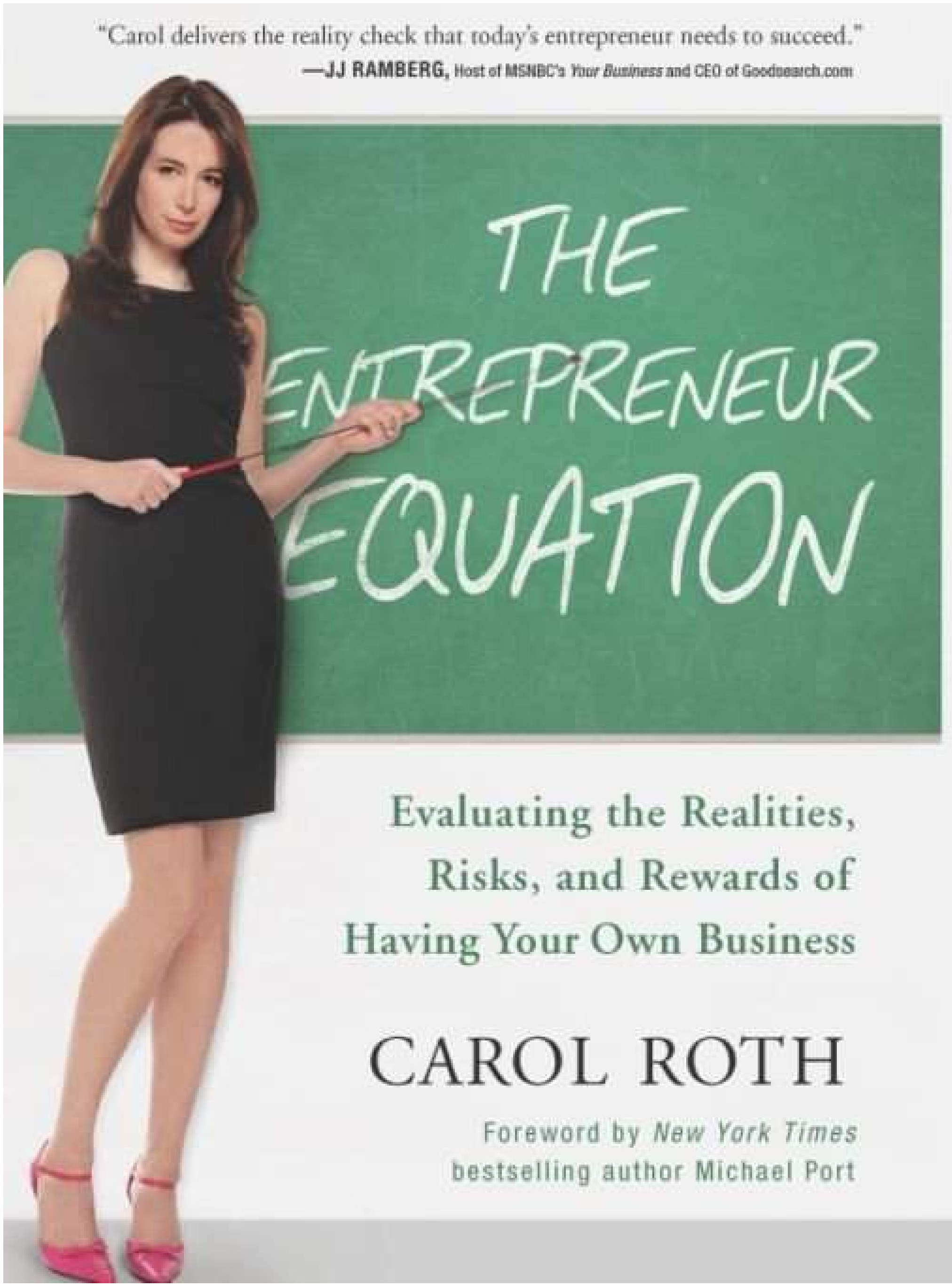
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"Having run a publicly traded company myself, I know that taking the time to create a strategy for success is critical. By reading *The Entrepreneur Equation,* you'll not only think differently about what entrepreneurship means for you but also create an opportunity to get the best, most successful return on your investment. This book is a must-read for every would-be entrepreneur."

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This book is dedicated to my mother, Sheri,
whose spirit endures every day.
Your love, natural curiosity, and really warped sense of humor live
on in me (although your domestic skills do not).

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Foreword

I LOVE THIS BOOK. It's a well-written, straightforward exposé on what it takes to be successful as an entrepreneur by an author who's not only an experienced and trusted advisor but a woman of considerable character and integrity. I also love this book because it's a reality check. Most books on entrepreneurship are written from the perspective that anyone and everyone can do it, and it's super simple if you just follow these *three easy steps.* However, anyone who has built a remarkable business knows the truth. There are no three easy steps to your own business making a million dollars a day.

Carol Roth isn't trying to talk you out of starting your own business. Quite the contrary, she wants nothing more than for you to succeed—at whatever you choose to pursue. She is, however, trying to protect you, encouraging you to consider whether or not you *should* be an entrepreneur not whether you *can* be an entrepreneur. The difference may seem subtle, but it's significant. Anyone can be an entrepreneur, but should they? Should you?

In clever and cunning prose, Carol dissects how entrepreneurship has changed over the last seventy years. Yet most new business owners are wrong-headedly pursuing the American Dream as if it were still 1945, a paradigm that is no longer relevant or appropriate. Recognizing this paradigm shift alone is worth more than one hundred times the price of the book. It's just one of the many entrepreneurial misconceptions she reveals. As someone who's quick to buck common conventions, I know that demolition isn't hard; anyone can say that everything you've ever heard is wrong. The trick is building something better in its place. Carol does this well. The book is filled with stories about what works and what doesn't. It's fun to read and will challenge your thinking.

I love being an entrepreneur—most days. Other days, I feel like I own a business and I'm working for a lunatic. In order to succeed in business, one must master many technical skills as well as strategic concepts. Nonetheless, my experience has shown that my own business growth occurs at the rate at which I am able to grow emotionally and spiritually. Many

venture capitalists say they invest in the entrepreneur as much, if not more, than the entrepreneur's business idea. This is why: one can only handle what one can handle. The reality is that many business problems are personal problems in disguise, to which I can testify. As I've increased my ability to handle personal problems, I've better managed my business problems and, as a result, have continued to see my business grow.

Being an entrepreneur takes enormous responsibility. Fortunately, *The Entrepreneur Equation* shows you exactly what you're in store for and helps you to determine if you're ready for it. If you are, you'll learn precisely how to prepare for success, which is a gift, because as Carol says, "If you fail to prepare, be prepared to fail." This book is also relevant to you if you are already an entrepreneur and need to reassess your current situation to create a better path forward.

If entrepreneurial success is something you long for, ask yourself:

- Do I want to make a living, make a difference, or leave a legacy?
- Am I done personally growing, or am I willing to let my business force me to continuously change and develop myself?

In my experience, many people skip these two essential questions and instead ask, "What can I do that is guaranteed to work?" Any trusted advisor worth her salt will tell you nothing is ever guaranteed. However, if you keep the above questions top of mind while reading Carol's book and following her sound advice, you can get pretty darn close to guaranteed success. Note, that I said, "pretty darn close." The future is always uncertain; you can't determine a result. You can, however, find business success, personal satisfaction and, yes, maybe even serenity, when you accept the things you cannot change and muster the courage to change the things you can.

Thank you for giving me the opportunity to be of service.

Think big.

—MICHAEL PORT,
New York Times bestselling author of four books,

including *Book Yourself Solid*
and *The Think Big Manifesto*

Introduction

READ THIS FIRST!

Do not pass "Go" and do not collect $200 until you read this Introduction.

Matthew, a 33-year-old with shaggy brown hair and an impish grin, sat across from his financial planner. The planner pushed a glossy brochure across the table toward Matthew entitled "Financial Dreams Inc."

"How much is the investment?" Matthew asked.

It was $25,000, just about the amount Matthew had in his savings. He would also have to invest his salary every year as well. But the planner sang the praises of Financial Dreams Inc. and showed Matthew article after article about how Financial Dreams would give him a better life, with more control, more money, and more recognition.

Then the planner introduced Matthew to several other clients who had made a similar investment. Karen, a single mother, didn't have enough for the initial investment in Financial Dreams Inc. so she took out a personal guarantee against her house. Sam, a former lawyer in his fifties, had done pretty well for himself, so he was investing a few hundred thousand dollars. In each scenario, the client made a financial and emotional investment, plus their yearly salary, to get a piece of what Financial Dreams Inc. was promising them. Investing in Financial Dreams Inc. is something that up to six million people contemplate each year in the United States alone.[1] Of these investors, a small number do well. A fraction of a percent do extremely well. But up to 90 percent of those who invest in Financial Dreams Inc. lose some or all of their investment within a few years. Yet each year, another several million people commit to the investment. You may be thinking that Financial Dreams Inc. is a scam or perhaps even a

cult. But it is actually something very familiar; Financial Dreams Inc. is entrepreneurship.

Now that I have your attention, let me clarify that last statement. I am not suggesting that entrepreneurship is the same as a scam, cult, or Ponzi scheme. I am, however, suggesting that potential entrepreneurs are continually lured into businesses with a false picture (or at least a gross misunderstanding) of what entrepreneurship is, with unrealistic promises regarding the potential financial and other rewards they can gain from opening a business, and with no means to assess whether the investment justifies the risk, or if the opportunity is appropriate for them.

Entrepreneurs ask themselves, “Could I be an entrepreneur now,” and the answer is yes, anyone *can* start a business at any time. However, the right question to ask is, “*Should* I be an entrepreneur now?” because in many cases, your possible payoff won’t justify your risk or you may not have done everything you can to stack the odds of success in your favor. This is not theory, this is reality; while every entrepreneur dreams of success, statistics show unequivocally that the majority of new businesses fail and most entrepreneurs don’t succeed. That is not what most new entrepreneurs believe they are signing up for and, I imagine, not your intended outcome for your new business.

The misconceptions about entrepreneurship are rampant. As noted by Professor Scott A. Shane in *The Illusions of Entrepreneurship*, “More people start businesses each year than get married or have children… and the typical start-up isn’t innovative, has no plans to grow, has one employee, and generates less than $100,000 in revenue.” Plus, the greater majority of entrepreneurs do not succeed. With so many people attempting entrepreneurship who are misinformed, underprepared, and generally a poor fit with that path, and with so many other choices available, how do we address this problem?

Perhaps you may think that there isn’t enough information on how to be successful. That is clearly not the issue because there are hundreds, if not thousands, of books on how to “successfully” start and run a business. With that amount of information out there about what it takes to succeed in business, why aren’t there more business successes happening?

Working from the Wrong Assumptions

Sometimes, the answer to a problem is so obvious that nobody sees it. This usually starts with somebody relying on an incorrect assumption. Have you ever been in an office where a copy machine isn't working? Your office workers start pressing all kinds of buttons, lifting up the lid to check parts (as if they would have any idea what to do with those parts once they saw them); they even shake the machine violently as if a good pounding was the key to optimizing copier operations. They check to see if there is paper in the machine—there is, and nobody can figure out why the darn machine isn't working. Then, someone comes along with the most obvious answer: the copy machine wasn't working because it was never turned on (or plugged in) in the first place. This sort of scenario happens all of the time—people take a base assumption as a given (in this case, the assumption that the machine is turned on) and start looking for solutions to other problems, when it was really the assumption that needed fixing.

To illustrate what this means for the new era of entrepreneurship, I refer to one of the most revered and influential books on entrepreneurship of all time, a book that I profoundly respect and frequently recommend to entrepreneurs, *The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It* by Michael E. Gerber.

In 1995, Gerber identified that entrepreneurs weren't succeeding and used several client stories to vividly illustrate his primary thesis: businesses aren't being developed and run in a "turnkey" or automated fashion (meaning that most anyone can perform just about any function in a business) and by focusing on creating systems that automate their operations, a business positions itself to succeed. I completely agree with Gerber's assessment that automating a business improves operations. I also concur on a number of his other observations about entrepreneurship and business ownership, several of which I reference in part throughout this book. But I also strongly believe that there is even more to the story about why businesses don't succeed, including two key points: (1) there are widely held, flawed assumptions about entrepreneurship; and (2) that the business environment has evolved significantly since *The E-Myth*'s publication a decade and a half ago.

Gerber discusses his client Sarah, who loved to bake and opened a pie shop. After three years, Sarah was depressed (not to mention in significant debt) and didn't know what to do. Gerber's solution was to help her create systems for her business so that her employees could run the day-to-day operations and so that she could focus on "working *on* the business, rather than *in* it."[2]

As I read Sarah's story, I felt like there were some basic assumptions that I needed to probe further. I started talking aloud to the book (yeah, I do that sometimes—at least the book didn't talk back):

> "If Sarah loves baking more than anything, then why doesn't she work somewhere where she can bake all day, instead of spending most of her day marketing, doing bookkeeping, overseeing employees, or even creating procedures and systems for her business?"
>
> "Wouldn't Sarah be happier spending more time specifically doing the work that she is passionate about?"
>
> "Does the world really need another pie shop? I mean, you can get sweets just about anywhere, and you can get really good pies in a number of different restaurants and specialty shops."
>
> "What kind of a return on your investment can you get from a pie shop? Does it justify all of the risks Sarah has to take?"
>
> "Pies are pretty fattening and high in carbs, too. Aren't people trying to eat better? Pie shops aren't really consistent with current consumer trends..."

While it took me a bit of time to piece together my thoughts, I realized what had occurred to me in that very moment: *everyone was working from the wrong assumptions about entrepreneurship.* Okay, maybe not *everyone,* but certainly a whole lot of people were checking the copy machine for mechanical problems when the machine was simply turned off.

You would likely agree with me that not everyone can find success as a professional singer (especially if you have ever seen the auditions for *American Idol*); I know Simon Cowell would concur. You would probably agree that not everyone is meant to be a professional athlete, a doctor, a fireman, or an engineer. Following that line of reasoning, I firmly believe that not everyone is cut out to be an entrepreneur and that the entrepreneurship-fits-all misconception is a substantial issue affecting many new and small businesses and their owners. While the greater majority of these business owners struggle and ultimately fail, and while the approach of most advisors is to put out information on how to be successful, I personally challenge the basic assumption. You can do anything you put your mind to, but just because you *can*, doesn't mean you *should*.

Now, this may seem like a pretty ballsy assertion, but it is rooted in a lot of experience. I may not have gray hair (well, actually I have a ton of it; I just color it frequently), but over the past fifteen years, I have worked in various capacities with more than a thousand entrepreneurs and businesses, helping them raise more than a billion dollars in capital, performing hundreds of millions of dollars worth of mergers and acquisitions, working on business strategy, reviewing business plans and business opportunities, and sometimes, just delivering a dose of business reality.

> YOU CAN DO ANYTHING YOU PUT YOUR MIND TO, BUT JUST BECAUSE YOU *CAN*, DOESN'T MEAN YOU *SHOULD*.

Based on my experience with a wide variety of businesses and entrepreneurs, as well as the experience of many of my colleagues, I believe that business advisors often give success advice predicated on the basic assumption that the person receiving it should be an entrepreneur. My challenge is that a primary reason so many businesses fail is that the majority of the entrepreneurs starting, buying, and/or running these businesses shouldn't become entrepreneurs, at least at that particular point in time, and for many, not ever. The reasons affecting the "fit" of entrepreneurship vary. Perhaps the person's personality type isn't a good

“fit” for starting a business, or the aspiring entrepreneur’s current financial situation, responsibilities, or lack of experience make the timing inappropriate to start a business. Regardless of the specific reason, the problem is in the basic assumption. If you are not cut out to be an entrepreneur, if entrepreneurship isn’t right for you, or if the timing isn’t correctly aligned with the other goings-on in your life, then your business will struggle and more than likely fail, regardless of how much business advice you receive.

Is Entrepreneurship for You (and for You Now)?

The ultimate purpose of this book is to help you first understand the realities of entrepreneurship, and then use that knowledge to assess the risks and rewards associated with starting a business, based upon both your particular set of circumstances and the particular business opportunity you are evaluating.

This book will also guide you in assessing your overall fit for entrepreneurship at any point in time and if, given the highly competitive business era we are in, it is worth it for you—financially and otherwise—to launch your own business (now, or ever). It will help you:

- Dispel common notions and uncover some stark realities about entrepreneurship;
- Understand what is truly involved in running a business;
- Define what a business is (as well as a “jobbie” and a “job-business”) and the risks and benefits of each;
- Evaluate your personal motivations behind your drive to start a business;
- Assess if now is the right time for you to think about starting a business based on your financial situation, experience, responsibilities, priorities, and obligations—or if you would be better positioned for success by taking on entrepreneurship at another time;
- Gauge if your personality is well-suited for business ownership;

- Measure the potential risks and rewards of a particular business opportunity and entrepreneurship overall; and
- Decide, based on all of the above, if you should move forward with a particular new business endeavor, or even reconsider a current one.

You can think of this process as sort of a prequel to *The E-Myth*—a series of assessments and evaluations that need to be reviewed before you tackle entrepreneurship and delve into the process of systemizing and automating your business. As bestselling business author Michael Port said to me recently, "all of the systemizing in the world won't help a business succeed if the business model doesn't have scalability, leveragability, profitability, and remarkability."

I will add that it also has to have *suitability* for the entrepreneur pursuing it, based on that entrepreneur's personal circumstances, opportunities, and goals. You will be assessing this suitability factor by using the exercises and information in this book to build your own personal Entrepreneur Equation.

Why I Wrote This Book: Lucy Van Pelt and the Commitment to Excellence

I have been called a lot of things in my life—some good, some questionable, and some not fit for publication. I also have had a lot of nicknames (again, some good and some completely obscene). One nickname that has stuck for several decades has been Lucy, as in Lucy Van Pelt of "Peanuts" fame.

Lucy was the girl who was well-spoken, self-confident (or perhaps you'd say bossy and vain—semantics, you know), and well-known for her various shenanigans, such as operating an advice booth. She would hang a sign that read "The Doctor Is In" above her lemonade stand-like booth, and for a few cents she would extend advice on a variety of topics to Charlie Brown, Snoopy, and the rest of the gang.

In my circle I am, and have always been, Lucy Van Pelt. As far back as I can remember, friends, family, colleagues, and even strangers would turn to me for advice. No matter what, when, or where, I was the advice doctor,

and the doctor was usually in. Stupid me, I didn't even think to charge five cents like Lucy did!

I think the reasons that people have always turned to me for advice include my general curiosity, my accessibility, and most of all, my authenticity: I tell it like it is; like Lucy, there is no sugar-coating here, no beating around the bush. I tell the truth in all its frank glory, with limited hand-holding, even if it is not what people want to hear. That can get interesting quickly because I hold some very unpopular opinions. If someone tells me something and then asks for my opinion, I often respond, "Do you want the real answer, or do you want me to agree with you?"

If they want the real answer, or if I feel they *need* to hear the truth, I let it rip. It's the root of my *Spinach in Your Teeth*® philosophy. If you have spinach in your teeth, a booger hanging from your nose, or toilet paper coming out of the back of your pants, I will tell you. Sure, the conversation may be awkward for a minute, but you are better off knowing the truth. Information and knowledge are power. You don't want to take advice from someone who's withholding information from you. You don't want to take advice from someone who won't tell you that you have spinach in your teeth.

The other thing that is inherently ingrained in my background is a general commitment to excellence. One of my greatest peeves is mediocrity; it is also one of my biggest fears. I want to give 100 percent to what I do so I can be proud of what I do. Likewise, I want others to do their best so they can be proud of their efforts, too. So my advice is always supercharged with excellence as a motivator.

Many business books are written by entrepreneurs who have just "lost their virginity," meaning that they have had one great success. They tell their personal story, which is perhaps compelling but often very particular to them and their situation. You should be wary of taking advice (business, sexual, or otherwise) from someone who has done something just once.

As a business strategist and advisor, I have had the benefit of seeing the trials and tribulations of more than a thousand businesses, ranging from one-man operations to major multinational, publicly traded companies, and what I can tell you is that all successes are unique—they depend on a variety of factors mixed with a sprinkle of luck and a dash of good timing. While you may be able to find some common themes, success is very

difficult to replicate. Failure, on the other hand, always boils down to the same handful of issues. I have the ability to draw upon what I have seen, not just from one success or one failure, but from more than a thousand. This allows me to give advice that resonates with and can be easily followed by virtually everyone.

In addition to the breadth of my experience, I also have depth of experience and entrepreneurship empathy. I have started and been an investor in a number of new businesses. I have engaged in a few failed attempts and more recently, some great successes. Combined with my advisory experience, this gives me an unparalleled knowledge base from which I can be the Lucy Van Pelt for business and entrepreneurship advice.

So, while I don’t know what Lucy’s reasons were for opening her advice booth, I can tell you that it wasn’t that I *wanted* to write this book, but rather that I was *compelled* to write it. Think of it as my way of setting up my booth so it’s accessible to you at any time.

Who This Book Is for and What's in It for You . . .

While I believe just about every aspiring entrepreneur (and most active entrepreneurs) can take away something valuable from this book, I acknowledge that it may be less relevant to engineers and high-tech superstars with business models that can reach $100 million in sales within five years and are realistic candidates for venture capital funding. If you're that person, you are in a very small percentage of entrepreneurs (teeny-tiny in fact, as venture capitalists fund *a fraction of 1 percent* of all start-ups every year). However, if you fall into any of the following categories of aspiring entrepreneurs and small business owners, I think you will find this book incredibly useful:

- You are a corporate employee considering quitting your day job to launch a business.
- You have a specific skill (Michael E. Gerber calls you "technicians") and want to stop working for someone else to start your own practice (e.g., web developers, hairdressers, massage therapists, auto mechanics, etc.).
- You have been laid off and are thinking about starting a business instead of searching for a new job.
- You are an aspiring "mompreneur," seeking to run a business while you raise your kids, or after they go to school full-time.
- You are driven by the desire to create meaning for others through a service business model (e.g., a business coach, consultant, advisor, technical skills teacher, etc.).
- You are a college student considering starting a business instead of getting a job upon graduation or within the next few years.
- You are a hobbyist thinking of expanding your passion into a business.
- You are seeking or pursuing a fast track to first-time business ownership (e.g., becoming a franchisee, taking over a family business, or buying an existing business).

- You are a “solopreneur” or small business owner who is challenged by, and therefore reevaluating, your current business situation.

With the resources in this book, you can decide if you are ready for entrepreneurship and then learn how to take educated risks. If you are not meant to be an entrepreneur, you can take that knowledge and focus on excelling at something that is the perfect match for you. You will make this decision through building your own Entrepreneur Equation, which will help you:

- Save tens to hundreds of thousands of dollars of your hard-earned money;
- Avoid amassing significant debt or risking losing your most important assets (like your house or savings);
- Maximize the results of your effort and time;
- Wisely spend your savings;
- Reduce your stress and gain peace of mind;
- Gain confidence in your endeavors;
- Be empowered to make the best possible choices for yourself; and
- Exponentially increase your ability to succeed;

by helping you:

- Understand what it takes to be an entrepreneur in today’s environment;
- Avoid investing in a business at the wrong time for you (or at all if your personality does not lend itself to entrepreneurship);
- Identify and evaluate the risks and rewards of a given opportunity as it pertains to your goals and circumstances;
- Evaluate whether your dreams are best served by a hobby, job, or business; and
- Gain the tools that you need to maximize your success.

I hope you find that, for less than the cost of dinner for two at a major chain restaurant, this book is a very strong value proposition for you—potentially the world’s cheapest business insurance policy!

If you are involved in a small business, thinking about starting, buying, or franchising a small business, or related to someone thinking about starting a business, I hope this will be an important reference book for you

for years to come. Frankly, this is all of the stuff that I wish someone would have told me about business while I was in college, or at least at the beginning of my career. It is a business reality check and evaluation unlike any out there today.

So, are you ready to get started? I'm sure you are, but before you can put together your own Entrepreneur Equation, you need a little more information. Let's start with discussing the "American Dream" and how it contributes to the widespread delusions of entrepreneurship. It will help you see whether operating your own business is really *your* dream or perhaps more like your worst nightmare.

ENDNOTES

1 Kauffman Index of Entrepreneurial Activity: http://sites.kauffman.org/kauffmanindex/.

2 Michael E. Gerber, *The E-Myth Revisited* (New York: HarperCollins, 1995), 75.

SECTION ONE

The Issue—The Assumptions, Myths, and Realities of Entrepreneurship

BEFORE YOU CAN PROPERLY BEGIN to evaluate entrepreneurship, it is critical for you to understand why such an assessment is necessary. In this section, I build upon the introduction and discuss how the American Dream has contributed to delusions about entrepreneurship and how the misconceptions about entrepreneurship, coupled with the absence of a screening process, have led to staggering statistics regarding success and failures of business (hint: there are a lot more of the latter). I also introduce you to the basis of the evaluations you will be performing in this book—a two-way evaluation where you assess both your fit for entrepreneurship as well as its fit for you—as part of your Entrepreneur Equation.

1

The American Dream

UP TO 90 PERCENT of new businesses fail within a few years of inception. And yet each year more than six million people decide to become entrepreneurs. They're literally buying into the notion of "Financial Dreams Inc.," convinced that it's a magic bullet providing quick riches and a better life.

I can't think of another career or life path where a 90 percent failure rate would be acceptable. Can you imagine if 90 percent of doctors failed within a few years? How about if nine in ten policemen failed? Obviously something is way out of whack here. Why would so many people risk their time, money, and effort in a journey with such low odds of success? And why does the belief that entrepreneurship fits all persist?

It seems that people believe entrepreneurship is a virtual birthright in our country. My theory is that this belief is an extension of the concept of the "American Dream"—the ideals that shape what we do, particularly in the realm of our quest for financial prosperity.

Everyone has their own definition or connotation of what the American Dream is and means to them. Most people don't know where the term "American Dream" came from or its original context. I know that I didn't until I looked it up while writing this book.

The phrase "The American Dream" was coined by historian and writer James Truslow Adams in 1931 in his book *The Epic of America*. He said:

> The American Dream is that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement. It is a difficult dream for the European upper classes to interpret adequately, and too many of us ourselves have grown weary and mistrustful of it. It is not a dream of motor cars and high wages merely, but a dream of social order in

> which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position.

In simple terms, it is the ability to achieve prosperity (financial or otherwise) through your own actions and free will rather than your family's status.

The idea of creating your own destiny with your talents and energy, mixed with America's capitalist system, often translates the American Dream into business ownership. Everyone has heard the stories of the family from _____ (insert the name of your favorite foreign country here) that came to the United States with nothing but a dream and a few dollars (or pounds/shekels/yen/rupees) in their pockets. That family then started its own ______ business (insert the name of some local business here—dry cleaner, restaurant, barbershop, etc.). Now, decades later, this family is flourishing, financially and otherwise. The family is living its very own American Dream, complete with a fantastic house, two (or more) cars, and yearly trips to Walt Disney World. These rags-to-riches stories have shaped our collective thoughts on what the American Dream is and how to attain it. Now, this is not just an American phenomenon. Many countries have adapted the American Dream to create their own brand of reliance on business and entrepreneurship.

However, we are in a different era now. With multiple decades' worth of millions of people pursuing their own American Dream in the form of entrepreneurship, the business environment has changed significantly and rapidly.

The Game Has Changed and Nobody Alerted the Players

When the term "American Dream" was coined in 1931, the business landscape was vastly different. In America, our economy was nothing like it is today. There was no such thing as globalization. We were a farming- and manufacturing-oriented economy that produced products and shipped them locally, regionally, and nationally. Consumers didn't own televisions (let

alone computers)—think about the differences in advertising! By the end of the 1930s, about 15 percent of the college-age population attended college (around 1.5 million people).[1] Moreover, there were fewer corporate career opportunities available because billion-dollar companies (and major employers) like Walmart, McDonald's, Microsoft, Nike, and CVS didn't even exist at that time.

Since the coining of the term "the American Dream," we have had exponential progress and changes as a society. Our economy is now global, sourcing products from and selling products to every corner of the world. We have moved away from being a society based primarily on farming and manufacturing to one based in large part upon providing services and outsourcing manufactured goods. Media platforms like cable television (with its hundreds of channels) and the far-reaching internet have changed the face of business and interaction. During this changeover, there were a lot of opportunities to start business enterprises, grow rapidly and make large sums of money. Major corporations were founded and thrived, providing significant opportunities for career-seeking individuals. The U.S. Bureau of Labor Statistics suggests that today about 50 percent of the college-age population attends college, putting them on a faster track to those corporate opportunities.

This evolution has gotten us to a point where there are actually too many goods and services today (and probably too many businesses). Think of any business you can conceive of, from banking to hair salons to restaurants to gift-basket companies; the number of choices you have are staggering. There are so many businesses with goods and services competing for our attention that we are bombarded with advertising to the point of virtually ignoring most of it (if they even reach us in the first place). We are now faced with an ultra-competitive business environment where it is incredibly difficult to make a mark in the world. With so many goods and services trying to reach a fixed population that has only so much money, time, and needs, it is harder and harder for a company to make a profit, let alone a worthwhile profit that justifies the risks taken on when starting up a business.

However, in the wake of this over-competitive environment, the media darlings—the businesses that have generated great successes despite the

odds and the changed landscape—are always the exceptions to the rule. Especially bad is the false light in which they are portrayed, with Hollywoodesque backstories that make for great human-interest pieces, rather than the more boring and routine reality of business.

The media touts Pierre Omidyar, the founder of eBay, as a programmer and hobbyist who, in the process of creating a small trading website for his girlfriend who collected Pez dispensers, "accidentally" created the largest trading marketplace. That story was exposed as a PR sham years ago. He knew exactly what he was doing and had a successful career as a programmer behind him.

> IN THE WAKE OF THIS OVER-COMPETITIVE ENVIRONMENT, THE MEDIA DARLINGS—THE BUSINESSES THAT HAVE GENERATED GREAT SUCCESSES DESPITE THE ODDS AND THE CHANGED LANDSCAPE—ARE ALWAYS THE EXCEPTIONS TO THE RULE.

The YouTube founding myth—that Steve Chen and Chad Hurley created the company while unsuccessfully trying to upload video footage from a dinner party—has also been discredited. By the way, Chen and Hurley both cut their teeth as employees at PayPal (Hurley was one of the first and he also happens to be the son-in-law of James Clark, who founded Silicon Graphics and Netscape).

Or how about the "overnight sensation" of Midwest electronics retailer ABT, which sells more electronics out of a relatively new location than any other single location in the entire United States? That may sound amazing, but what you may not hear about is that while the current location is only a few years old, the business has in fact been around for seventy-two years.

So, armed with misinformation about the American Dream—yet ignoring how the landscape has changed and dreaming of becoming the next eBay—sharp and talented Americans who have all types of career and investment options available for them to enjoy financial prosperity without having to be born a nobleman, are instead turning to business ownership as their means

of achieving the American Dream. They spend an incredible amount of time, energy, and money to launch their businesses, and yet the payoff is grim—most of these starry-eyed entrepreneurs fail altogether or just fail to succeed.

The problem, I say, with buying into the notion of the American Dream is two-fold:

1. Aspiring entrepreneurs are basing their dreams of prosperity on an approach that worked for new businesses decades ago, not today.
2. They usually start their businesses without first going through a screening process. Clearly the game of entrepreneurship has changed, and nobody has alerted the players. Being an entrepreneur today—particularly a successful entrepreneur—is more difficult than it has ever been.

Now that you have an idea of what's changed in the business playing field, it's time to address the issue of why there historically hasn't been a screening process for entrepreneurship (a process that you will undertake when you build your Entrepreneur Equation).

ENDNOTES

1 William H. Young and Nancy K. Young, *The 1930s*, (Santa Barbara, CA: Greenwood, 2008) 18.

2

Why Is There No Screening Process for Entrepreneurship?

SCREENING PROCESSES are a very good thing. They help you ensure that you aren't marrying a bad kisser or renting a room in your apartment to a sociopath. Most high-risk, high-reward career paths have a screening process, too. The process identifies who has what it takes to make it big and weeds out those who are poor matches for a lifetime in that particular career.

For example, in the National Football League, there are a number of steps in the screening process leading up to the "big time." You have to be drafted on to one of the thirty-two teams' rosters. Before you can do that, to even be considered as eligible to be drafted, you typically need to have been an outstanding college football player, usually at a major school. To be an outstanding college player, you have to make the college team and be given playing time by your coach. To make the college team, you have to demonstrate outstanding athletic ability (and sometimes academic ability, too). These steps weed out the people who may have talent but aren't suited for making a professional career in football (and thank goodness for that, or a bunch of five-foot-six, 130-pound guys who take twelve minutes to run a mile would all be trying out for their favorite NFL team every year).

Likewise, if you want to become a fireman, you have to endure and pass rigorous academic and physical testing. To be a lawyer, you need to graduate from law school and pass the bar examination in the state where you plan to practice law, and before you're even accepted to law school, you need to perform well on the LSAT (the standardized law school test) and produce a strong law school application, as well as have solid undergraduate grades.

Becoming a doctor is even more rigorous. You have to spend years interning in a hospital. To intern, you need to graduate from medical school. To be accepted to medical school, you have to score well on the MCAT (the

standardized medical school test). The doctor path has an even earlier screen. As noted by Seth Godin in *The Dip*, “Academia doesn’t want too many unmotivated people to attempt medical school, so they set up a screen. Organic chemistry is the killer class, the screen that separates the doctors from the psychologists. If you can’t handle organic chemistry, well, then, you can’t go to med school.” These screens are a good thing, because if you need major surgery, you want the best and most committed doctor possible operating on you, not someone who throws up when she sees blood or has unsteady hands.

Yes, most careers with big risks and big financial, emotional, or achievement-oriented rewards have a screening process. Going through a screening process not only filters out those without the necessary talent or predisposition for a given career path but allows you to learn about various aspects of a profession before you make a commitment to it, which in turn helps you know that you are truly interested in that career. Spending the time and putting forth the full effort that it takes to get through the entire screen helps you demonstrate to yourself that a particular path is something worth pursuing and that it is a good “fit” for you.

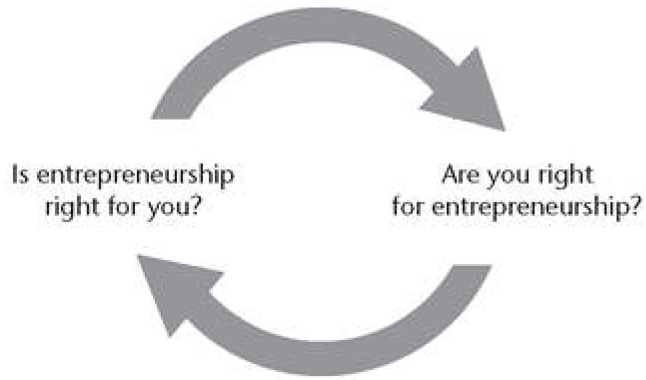
However, being an entrepreneur doesn’t really have a standardized and effective screening process, which is unfortunate since, unlike other career paths, to become an entrepreneur you typically have to put your own money at risk (as well as spend your time and effort). This essentially means that so long as you can get some money together, you can attempt entrepreneurship—even though you may not have any idea whether or not you are a good fit in that role or whether it is just a passing fancy that looks great on paper, but one in which you will quickly lose interest after getting your hands a bit dirty. The lack of a screening process means you won’t know if perhaps the timing isn’t right for you to pursue the entrepreneurial path, which will severely limit your ability to succeed.

Well, I don’t want you to lose your money, time, energy, or sanity on a new business venture just because of a lack of an entrepreneurship screen. I first addressed this issue when I pioneered my proprietary five-step FIRED-UP®[1] entrepreneurship assessment as a basic test to evaluate some of the timing and mindset components that affect an aspiring entrepreneur’s fit with the entrepreneurship path. Expanding on that assessment tool, this

book offers a more in-depth screening process that anyone who is considering starting, buying, or franchising a business should take very seriously.

THE TWO-WAY ENTREPRENEURSHIP SCREEN

(Based on your personal circumstances)



As the illustration above shows, you can think of the entrepreneurship screening process as a two-way screen: entrepreneurship evaluates you to see if your skills, strengths, and personal circumstances are consistent with running a business (for example, do you have the right mindset, motivation, and experience for it?), while you evaluate entrepreneurship to gain enough relevant knowledge to see if you have the true desire to commit to a particular opportunity and also to figure out if that opportunity is large enough to justify the risks you would take on in pursuing it.

If any part of that screening process shows a deficiency, you can then assess if it is a timing issue (whereby you can work to strengthen that area and then evaluate the opportunity again); an opportunity issue (whereby you can reevaluate other opportunities as they arise); or a personal issue (whereby you conclude that entrepreneurship will not likely ever be a match and you move on to something that is).

As you evaluate the dynamic between entrepreneurship's risks and rewards, you should ask yourself not, "*Could* I be an entrepreneur?" but "*Should* I be an entrepreneur?" As Barry Moltz says in *Bounce!*, "Many entrepreneurs risk too much ... their potential return—*if* they achieve it,

which most do not—is not worth the odds they accept. They are blinded by their passion.” [2]

ENDNOTES

1 FIRED-UP® is my proprietary five-step screening process to assess whether aspiring entrepreneurs have what it takes to start a business (or if they should keep their day jobs). It is actually an acronym for **F**inances, **I**nspiration, **R**esponsibilities, **E**xperience, **D**edication and **U**nbridled **P**assion. It focuses on the entrepreneur, their motivation for wanting to start a business and the appropriateness of the timing (vis-à-vis what else they have going on in their lives). It focuses on the entrepreneur and does not comment on the merits of their chosen businesses.
2 Barry Moltz, *Bounce!* (Hoboken, NJ: Wiley, 2008), 142.

3

Entrepreneurship Is Not One Size Fits All

WE'VE TALKED A BIT ABOUT the faulty entrepreneurship-fits-all assumption. Doesn't it make sense that if not everyone was meant to earn a living as a singer, race car driver, web programmer, astronaut, or chef, then not everyone was meant to run a business? Why do so many people ignore this perfectly logical conclusion? Why are there thousands of business-success books and virtually no materials (until now) on why you may not be the ideal candidate for entrepreneurship? Why hasn't there been a screening process for entrepreneurship?

My first theory is that people like to give and receive uplifting advice. Let's face it—our society is built upon blowing smoke up each others' asses (in layman's terms, giving gratuitous or insincere compliments or general good feelings). Sunshine, cupcakes, and puppy dogs create warm, fuzzy, good feelings, and more importantly, sell! Reality checks are sort of a "buzz kill," and downers don't sell nearly as well as uppers. However, our collective unwillingness to engage in a reality check has gotten us into deep doo-doo.

Our willingness to believe each others' B.S. is easily evidenced in the recent 2008-2009 U.S. national economic meltdown. This was triggered, in part, by credit card companies extending credit to people to buy things like flat-screen televisions and designer handbags that they couldn't afford. A second trigger was mortgage lenders who extended credit to a whole lot of people to buy houses that they also couldn't afford. The mortgage lenders told the homebuyers not to worry, that the value of the homes would go up as they had in prior years and that this gain in equity value would allow them to be able to afford the otherwise out-of-reach homes. Homebuyers bought into the hype and took on debt that they had no business in taking in the first place. It was one giant smoke-blowing fest. Nobody had the balls to

do a reality check (i.e., step up and say *maybe you shouldn't buy crap you can't afford*), and the entire U.S. economy suffered for it.

> OUR SOCIETY IS BUILT UPON BLOWING SMOKE UP EACH OTHERS' ASSES . . . SUNSHINE, CUPCAKES, AND PUPPY DOGS CREATE WARM, FUZZY, GOOD FEELINGS, AND MORE IMPORTANTLY, SELL! OUR COLLECTIVE UNWILLINGNESS TO ENGAGE IN A REALITY CHECK HAS GOTTEN US INTO DEEP DOO-DOO.

Now that we have gotten into trouble from listening to the feel-good stuff, I believe we are more ready and willing to hear and accept a reality check. I don't know why so many advisors don't give reality checks; maybe because the advice is uncomfortable to give and receive, maybe because then they can't take their "37 Secrets to a Successful Business" book and supercharge it a couple of years later to be the "39 Secrets to a Successful Business—with Two All-New Groundbreaking Secrets That Are Critical to Your Success" and so on. For whatever reason, most don't deliver, like I am doing here, a reality check that says, "Hey, 90 percent of you probably shouldn't own a business."

With no screening process and hundreds of gurus focused on giving success advice, nobody has been telling you and the other aspiring entrepreneurs that there is a chance that owning your own business isn't the right path at all. If you haven't been given the tools to evaluate whether or not you have the appropriate personality, mindset, timing, or opportunity to be successful with a start-up, it is easy to understand why smart people like you continue to take the plunge at an inopportune time. You may not realize that your core competencies and experience don't match up well with entrepreneurship, or that your current circumstances make focusing on a new business today less than ideal.

Without the screening process, or the encouragement to "test drive" entrepreneurship before buying it, how would you know if you should take a risk? How can you decide if your passion is best left as a hobby instead of a business? Entrepreneurial successes are certainly glamorized by the

media, so it is easy to see how it would be alluring. Not enough is done to spread the message that, just because you are passionate about something or excel at making an item or performing a service, you might not be so excellent at having it manufactured, finding customers for it, or managing the cash flow in between.

Plus, there are a lot of urban legends and general misinformation about the biggest successes. We talked a bit about eBay and YouTube's PR stories in Chapter 1. What about the widely held beliefs about Bill Gates? The story that most people believe about Bill Gates' success is that he took a huge risk, dropped out of Harvard and founded Microsoft to become one of the richest men in the world. That story misses a lot of facts. The following is a summary of Bill Gates' story, as told in *The Leap* by Rick Smith:

- Bill Gates was born to a wealthy, influential, and well-connected family.
- He went to prep school, where he was introduced at an early age to computers.
- While in school, Gates, along with Paul Allen (Microsoft's co-founder), spent a lot of time learning about computers, including hacking into security systems.
- Due to Gates and Allen's hacking abilities, the system providers offered them unlimited computer use if they would find system bugs—something that generated even more experience for Gates and Allen.
- Their experience led the prep school to offer Gates and Allen a job writing a computerized scheduling system.
- After graduation, Gates enrolled at Harvard.
- Based on an article about a new microcomputer in a magazine, Gates called the manufacturer and bluffed, saying he had written a computer program that could be used on the computer.
- The company bought the bluff and invited Gates to present the program—only then (once interest had been gauged) did he and Allen start writing it.
- Gates stayed another year at Harvard before he left to form "MicroSoft," and he didn't drop out right away, either. He took a

leave of absence as a contingency plan in case things didn’t work out.

- Gates’ highly influential mother created an introduction to IBM for Gates via IBM’s former CEO John Opel, a crony of hers, which happened to be looking for an operating system for its computers.
- Gates was contracted to develop IBM’s system, negotiating a deal where his company (Micro-Soft) would retain the rights to the software (cha-ching).
- So, Gates had around a decade of experience, limited downside risk, awareness of the huge potential of the upside, the right connections, and many other items that balanced his risks and rewards and stacked the odds in his favor.

The reality is quite a bit different from what most people know and believe about Bill Gates’ entrepreneurial journey. What is clear, after reading the backstory, is that Bill Gates went through a number of screens along the path to becoming one of the world’s most recognized and successful entrepreneurs.

The Entrepreneurial Match

Before we jump into the assessment, I want to talk about outcomes. I want to emphasize that it is perfectly fine not to be meant for entrepreneurship. The prevailing attitude is that anyone can do it. However, not everyone can succeed in doing it; it is hard work.

I’m here to say it is okay to be cut out for a career path that doesn’t involve being an entrepreneur. As Dan Pink writes in *Free Agent Nation* , “Some discover that they lack the skills, the savvy, and the desire to make it on their own—and like it or not, they’re better off inside the corporate cocoon.” [1]

I liken matching someone with an entrepreneurial career path to matching two mates. Sometimes you meet a dream guy or girl who looks amazing on paper, but after you’ve spent time with him or her, you see that there just isn’t the right connection. Or perhaps you have known two people who have been dating, and upon hearing about their breakup, your reaction

was, “I could never figure out why they were together anyways.” It likely wasn’t that either one of them was a bad person—they just weren’t a good match. If they had looked past the initial fascination with each other (and been honest that there is no “happily ever after,” just reality), they would have realized that they would never make it.

> OUTSIDE OF SOME INSTANCES IN VEGAS INVOLVING A LOT OF ALCOHOL, MOST PEOPLE DATE EACH OTHER FOR A WHILE BEFORE GETTING MARRIED. THEY WANT TO FIND THE RIGHT FIT AND PARTNERSHIP. THE SAME THING GOES FOR MANY CAREERS AND SHOULD APPLY TO THE OWNING YOUR OWN BUSINESS PATH, TOO.

That’s why, outside of some instances in Vegas involving a lot of alcohol, most people date each other for a while before getting married. They want to find the right fit and partnership. The same thing goes for many careers and should apply to the owning your own business path, too. Everyone has at least one, and usually several, core strengths and skills, and running a business is not going to be a fit for everyone. In fact, given the number of different competencies required in successfully running a business, it is not a fit for most. You can’t say across the board that it is better to be a country singer than a pop singer, an NBA player than an NFL player, or a consultant than a chef. Being an entrepreneur is empirically no better or worse than any other option you may be considering; it is just *different* and needs to be a solid fit for you in order for it to work. So don’t feel bad if you dreamed of being an entrepreneur and that isn’t your best option. You will shine more brightly when you are doing something that is a natural fit for you.

So, now you need to start assessing if you are a good fit for entrepreneurship within the area of motivation. To begin, you are going to evaluate what is driving you to want to start a new business.

ENDNOTES:

1 Daniel H. Pink, *Free Agent Nation* (New York: Business Plus, 2002), 213.

SECTION TWO

Assessing Your Fit with Entrepreneurship

TO BE ABLE TO CALCULATE your own Entrepreneur Equation, you must be able to understand what it means to be an entrepreneur and assess your fit with entrepreneurship, based in part on your personal circumstances. From your inspiration and mindset, to factors affecting timing, you can evaluate the strength of your connection with entrepreneurship.

Please take the time to give yourself thoughtful and honest feedback during these assessments. You will have your money, time, and effort on the line if and when you start a business, so you owe it to yourself to take the time to do each evaluation with care and insight. Remember that if you are not honest with yourself, you only cheat yourself in the long run.

2 A

Assessing Your Motivation

> The following chapters help you explore why you want to start a business. Since there is so much misinformation about entrepreneurship, I clarify what a business is and explain what it truly means to be an entrepreneur. I also help you gain an understanding of many of the inaccurate, yet commonly held, beliefs about various aspects of business ownership. This allows you to work from a foundation of reality in regard to entrepreneurship.
>
> Once you understand the foundation of entrepreneurship, you can evaluate your mindset. In your Entrepreneur Equation, your motivation illustrates what you hope to gain in terms of both financial and qualitative rewards from going into business. It is these rewards that have to be substantial enough to outweigh the

risks in your personal equation. These chapters also help you assess if you are driven to pursue entrepreneurship based on your personal wants and needs or on a market need. If it is the former, it helps you evaluate whether entrepreneurship is the best option for you to fulfill your needs.

4

What the Heck Does an Entrepreneur Actually Do?

MANY PEOPLE, at some point in their lives, are struck with what they believe is an outstanding business idea. A portion of that number actually decide that they want to pursue that idea by starting a business. Their motivations may be influenced by their desire to solve an existing problem in their career or life, to pursue a dream, or perhaps a little of both. Common reasons that aspiring entrepreneurs and business owners give for starting a business include one or more of the following:

- Their idea will get them rich;
- Their idea will get them rich *quickly;*
- They can escape the corporate grind;
- They can do more of what they love to do;
- They can be their own boss and have the freedom to do what they want, when they want;
- They can work shorter hours and have more free time for their hobbies, families, and other passions;
- They can "do it better" if they were running the business;
- They can leave their mark on the world; and/or
- They can be in control of their career path or their own destiny.

These motivations are often based on a gross misunderstanding of what it takes to start and run a business. In fact, the words "business" and "entrepreneur" are two of the most overused and misused words in the English language.

If you don't know what game you are playing, you won't understand the rules, you won't know how to keep score, you won't know what tools to use (e.g., you can't use a baseball bat in a football game), and you won't be able to choose the appropriate uniform to wear. So, let's explore a bit about what the game of entrepreneurship means today.

In the most basic terms, an entrepreneur is someone who starts or runs a business, putting his or her resources (financial, time, emotional, or otherwise) at risk. This can be through a brand-new venture, franchising a business, or buying an existing business. These different paths to entrepreneurship come with different profiles in terms of risk, possible future financial rewards, capital requirements, experience, and other benchmarks. There are, however, characteristics that tie them all together, the most important of which is that there is actually a business involved. However, regardless of whether you are starting, buying, or franchising a business, they all require you to *run a business*.

What Is a Business, and What Is Just a Job That You Pay for the Privilege of Doing (a "Job-Business")?

In simple terms, a business is an entity that sells goods or services to customers in exchange for money. However, I would like to make a case that the definition of a business should be changed to: a business is an entity that sells goods or services to customers in exchange for money and *whose existence is not dependent upon any one person or small subset of employees*. If you take a business like Walmart, any person within that organization could leave, and the business would still exist and probably not feel any impact. The CEO could leave, the head of the marketing department could leave, the cashier at any given store could leave; yes, any of the employees could leave and Walmart would still be Walmart. It would still have value, and its shareholders would still have the opportunity to make a return on their investment.

There are a lot of entities labeled as businesses when this is really not the case. Take Tommy's Massage Therapy Inc. Tommy provides a service—massage therapy—in exchange for money. There are no other employees in this business; it's just Tommy and his clients. However, if Tommy doesn't want to do massage therapy anymore, or if he is hit by a bus, then Tommy's Massage Therapy service has absolutely no value. In fact, it ceases to exist. So, regardless of whether or not there is a corporate "business" entity around it, Tommy doesn't really have a business, Tommy has a job.

This is a job that is unlike any other. At a regular job, Tommy doesn't have much at risk. He may have to pay for a uniform or put gas in his car to get to his place of work, but basically that is all he is risking. The worst thing that can happen, the extent of the risk that Tommy bears, is that he gets fired and has to look for another job.

But at Tommy's job-business, he has to pay for the privilege of having a job (plus he has to deal with all of the other issues that come along with running a business, which we will be discussing later). He actually risks his own money to be able to have his own job-business.

In addition to spending money, time, and effort to create a job, with a job-business you are not building equity value, which I believe is the really compelling reason to create a business. In a true business, you as the owner have an entity with value that is separate from you. This is the value that you create for the business as a going concern, above and beyond the strict value of your assets minus your liabilities, which makes owning a business worthwhile. That means you can eventually leave the business (down the road, after many years of hard work) or sell the business (again, after many years of hard work) and get value for it. That is how most successful entrepreneurs make the "big bucks," by capitalizing upon the value of their business entity.

In order for you to sell your business in the future, you need to have a business that is saleable. This means that you can't do everything yourself. If you are the one-man band and the only reason the business exists is because of your relationships and your personal flair of doing things, nobody is going to buy the business down the road. How could they? Without you, the business isn't worth anything—you *are* the business, like Tommy is at Tommy's Massage Therapy service. This one-man-band thing may seem great for your ego, but it has the potential to wreak havoc upon your pocketbook, cause you a lot of stress, and may not make sense in the grand scheme of risks and rewards.

If you are not creating equity value, then you are not creating a valuable business. If you are just creating a job for yourself, you not only forgo equity value, but you now have a job that takes more time and energy and risk than any job you could otherwise get.

> IF YOU ARE NOT CREATING EQUITY VALUE, THEN YOU ARE NOT CREATING A VALUABLE BUSINESS. IF YOU ARE JUST CREATING A JOB FOR YOURSELF, YOU NOT ONLY FORGO EQUITY VALUE, BUT YOU NOW HAVE A JOB THAT TAKES MORE TIME AND ENERGY AND RISK THAN ANY JOB YOU COULD OTHERWISE GET.

A whole lot of entrepreneurs don't realize this until they are deep in the middle of it. Of the approximately 28 million small businesses in the United States, it is estimated that a staggering 21.7 million of those are sole proprietorships with only one employee—the owner. Per the aforementioned statistics, many of these job-businesses are not really succeeding. Often, the entrepreneurs don't realize the difference between a job and a business (or don't realize it until it's too late). This is probably because they didn't realize what entrepreneurs actually do.

To help you understand what game you are playing (and how that impacts the risks and rewards you will be evaluating) I have created the *Job to Business Spectrum*, where equity value and upside potential increase as you move toward the right (see next page).

Now that you know what game you are playing, you have to learn about what is required to play and win the game. And now that you understand each game's respective risks and rewards, you may ultimately want to consider playing a different game altogether.

THE JOB TO BUSINESS SPECTRUM*

	Jobbie	Job-business	Bona-fide Business
Definition:	A hobby disguised as a job or a business	A one or few-person business that isn't scalable and isn't building equity value	An entity that has equity value and is not dependent upon any one individual in the business
Pros:	Make money from your hobby; investment of time is up to you	Easier to start than a business with potentially higher capital requirements; allows you to fulfill some personal goals	Opportunity to create equity value and scalability; gives you the opportunity to work on your business rather than in your business over time; opportunity to help more people / deliver purpose
Cons:	Can't support yourself with your earnings; can be a trap for a lot of wasteful spending if you think it is a true business	No equity value—you are the business; difficult to work on the business because you are always working in the business; the risk/reward trade-off (what you give up for what you can achieve) may be significantly out of whack	May require significant capital investment; high risk; significant time and stress; difficulty of execution

**Note, owning a franchise will fall somewhere between a job-business and a bona fide business.*

So ... What *Do* Entrepreneurs Do?

This seems like another silly question with an obvious answer, but it is frequently the crux of entrepreneurial misunderstanding. Most people think that entrepreneurship means that you get to spend most of your time doing what you love or want to do. Entrepreneurship is viewed as a focused endeavor; if you are interested in making custom jewelry, you should open a jewelry business. Being an entrepreneur is actually the opposite; it is very broad in its scope.

Basically, being an entrepreneur means that you have to wear lots of hats. You don't get to pick those hats, and even if you don't like those hats, or think that you look good in those hats, you still have to wear them part of the time. Being talented at making goods or performing services does not mean you will be talented at running a business that makes those same goods or performs those same services. Again referencing *The E-Myth*

Revisited, Michael E. Gerber describes this as the “Fatal Assumption.” This is the misconception, in Gerber’s words, that “if you understand the technical work of a business, you understand a business that does technical work.”

Let’s start with a couple of very basic examples. Imagine you are a hairdresser and work in a nice hair salon. You love cutting, coloring, and styling hair, but you think the salon is taking too much of a cut (pun intended) out of your pay. You think that if you open your own salon, you can do what you love to do, not have to answer to anyone, keep 100 percent of what you earn, and have other people work for you that you can earn money from as well!

Or perhaps you are a copywriter for a large company. You see what your firm charges for your services, and you are not even earning half. You can just open your own copywriting business, continue to write, and make even more money.

Insert the sound of a buzzer here, because this is far from reality.

In each of the above examples, there is the same incorrect assumption. These workers believe that when they open their business, their jobs won’t change—they will do what they love to do, just for themselves, and for higher pay. This is dead wrong. The reality is that if you open a business, your job is now *to run a business*.

Running a business means marketing to find paying customers, providing customer service to disgruntled clients, managing employees, overseeing payroll, managing professional service providers, dealing with vendors and suppliers, and much more. This often leads to entrepreneurs doing *less* of what they love to do.

Take Stella Inserra, a wedding and event planner and owner of Simply Dazzling Events in New York City. Over the past five years, she has been featured on the Style Network’s hit shows *Whose Wedding Is It Anyway?* and *Married Away*, in addition to planning and designing events. Despite her recognition and acclaim, she is not doing what she expected she would be doing when she started a business.

She says, “My mom was right when she warned me that the grass isn’t always greener on the other side! It may be cliché, but it is true. While I am

considered successful in the wedding industry, it hasn't been, nor is it, currently easy. People think that wedding planning is so glamorous, but it is not what everyone thinks it is. I spend 90 percent of my time handling administration, marketing, blogging, networking, selling, bookkeeping and other tasks. And I spend 10 percent of my time using my creative event design skills. This is the reality of operating your own business. Aspiring planners are so in love with the pretty things of the wedding industry—the linens and invitations and flowers—but the truth of the matter is that it is a 'touch' business, *business* being the key word here."

So, like Stella, the hairdresser takes on fewer clients, because she is busy marketing to find new clients for the salon, ordering supplies, hiring hairdressers to fill empty chairs, and doing everyone's favorite job, accounting (or as most people call it, "the books"). When the person assigned to open the salon gets sick or is late, she has to go in and do it herself. When a customer is unhappy, it is up to her to solve the problem. Even if she has managerial help, she needs to make sure that everything is done correctly—she can't just pass the buck and assume each job function will be taken care of. If she hires too many helpers, it eats into her profit. If she hires too few helpers, she is working longer and harder at keeping the salon open. If she wants to take a vacation, she scrambles to see if there is anyone trustworthy enough to oversee the salon in her absence. At the end of the day, the hairdresser is doing much less of what she loves (working with clients on their hair) and spending more time running a business. This is what it means to be an entrepreneur. Oh, and not to mention she may be working many more hours for similar, or even less, pay.

Stella Inserra figured she would make at least the same, or possibly even more, money having her own events business than she did when she was a catering manager for a large facility. However, she says, "That's not true; it takes a long time to get to that place. I may make more in sales, but I also have more expenses, so less is going into my pocket." While she is considered successful, she confirms that she is working more hours and making less money now as an entrepreneur than when she was employed.

What about the copywriter? The story is much the same. He has to spend a lot of time marketing to find clients (who may be less willing to hire a

one-person copywriter than a big fancy firm, even if the same person is doing the job at the end of the day). And when I say a lot of time marketing, I mean a whole lot of time marketing, because without clients, he doesn't make money. If he hires a salesperson, it eats into his profit. And he has to update his website frequently, do the books in a timely fashion, submit quarterly tax filings, design and assemble brochures, and manage any additional personnel he has hired. So again, less time is devoted to copywriting and much more time to running the business. If he goes solo for a while, he won't have paid time off like he did at his old job. If he wants to go on "vacay", while he is sipping margaritas at the beach, nobody is doing the work, and therefore there isn't any money coming in. Did I mention the stress and difficulty of setting up benefits (health care, etc.)? This is no cakewalk, folks.

So, the bottom line is that if you love doing something (cutting hair, writing, fixing cars, etc.), you will likely maximize your happiness (and potentially, your wallet) by spending the most amount of time actually doing that something. If you love the idea of running a business entity, that is the job of the entrepreneur. It is not to cut hair, sell shoes, write copy or anything else—an entrepreneur's job is, again, to run a business.

So, back to your fantastic business idea. The way you are going to really make money from this idea is to create an entity and create systems and procedures so that it can be run by anyone. But the creation is all on you, which is not easy to do (have you ever tried to teach someone how to do something that you are good at in the same way you do it?). And in doing this, you are not necessarily doing what you love—you are doing everything else you can think of and hundreds of things you have never imagined.

Is starting, buying, or franchising a business the answer to your problems, or does it create a set of new ones? Only you will be able to answer that for yourself.

EXERCISE 1

TARGET FOCUS—MOTIVATIONS:
Defining Your Baseline Motivations List (Part 1)

Begin to think about your reasons for wanting to start a business using the chart directly below for guidance.

1. As you read the columns, circle the reasons that are most consistent with why you want to start a business.

COLUMN A	COLUMN B
I want to get rich quickly	The risk/reward potential makes sense for me. Even with what I am risking, I have the opportunity to make significantly more (100%, 200%, 300%+) each year
I am bored at my current job and feel unfulfilled	There is a gap in the market that customers are desper ate for a solution to and willing to pay for
I will get to do even more of what I love to do each day	I love to wear multiple hats and the idea of managing all aspects of a business is a good fit for my skills and experience
I have always wanted to do "x"	I have unparalleled industry experience, knowledge and/or contacts that make me the ultimate candidate to make a difference in this market
I want more free time	I want to do whatever it takes to make this endeavor succeed

I want to be known for something great	I want to make a positive impact on and for others
I can be my own boss	I will enjoy servicing my customers; I want to provide outstanding service to my customers to make their lives better and create loyalty to my business
I want to grab a piece of this hot new area where everyone is making money	I want to compete in an area in which I have a unique competitive advantage
I have an amazing idea	I have a very solid business model that can generate a significant return on my investment
Everyone tells me that I would be a great business owner	People that have lots of relevant business experience have evaluated my business plan and are investing their money because of their belief in my ability to execute

2. Looking back at the motivations you circled, ask yourself:

- Are your reasons for wanting to start a business mostly in Column A of the chart or Column B?
- Do you think your desire is driven by a market need or by something lacking in your life?

Column A represents suspect motivations to start a business, while Column B represents good reasons to start a business. The more circles you have in Column A, the higher the likelihood that

you are driven by unrealistic assumptions and setting yourself up for failure.

3. Take any remaining realistic motivations and write them, plus any others that you come up with on a piece of paper. This will be the beginning of your baseline motivations list.

Keep this list handy, and as you read on, continue to evaluate whether your assumptions are realistic, and if your new business is the best way to achieve your objectives, crossing out any motivations that you find unrealistic along the way.

5

Why the HBIC and the BMOC Have Very Little Control

ASK ASPIRING ENTREPRENEURS why they want to start a business, and you are likely to find one of the most popular motivations is to "be my own boss." The ability to work for yourself might actually be another definition of the American Dream, especially for people working in small to midsize companies across the United States. If you have seen actor Steve Carell's character Michael Scott in the television show *The Office*, this is not a hard dream to understand. In *The Office*, Michael is the regional manager of the Scranton branch of a paper distribution company called Dunder Mifflin. He represents an amalgamation of all of those stereotypical reasons people are frustrated with their superiors. In particular, he illustrates the frustration that you may be smarter than your boss and that your boss may be generally incompetent.

There is actually a name for the phenomenon of incompetent superiors: the Peter Principle. Introduced in 1968 by Dr. Laurence J. Peter and Raymond Hull in *The Peter Principle*, the principle says in part that, "In a hierarchy every employee tends to rise to his level of incompetence." This principle also states that in a typical corporate structure (think corporate ladder) employees are promoted for doing well or at least for performing competent work. Eventually, each employee is promoted to a position where he can no longer do well (their "level of incompetence"), and they remain stuck there in perpetuity, unable to be promoted ever again. It further states that, "In time, every post tends to be occupied by an employee who is incompetent to carry out his duties" and "work is accomplished by those employees who have not yet reached their level of incompetence."

So, when you work for a company, at some point up that company's corporate ladder are a bunch of bosses incapable of being good managers and superiors. No wonder there is so much frustration.

It is never fun to work with someone incompetent, especially if that person is your superior. You may think that the way of escaping this scenario is through getting rid of your so-called bosses by working for yourself. You dream of running around with a T-shirt that says HBIC or BMOC (“Head Bitch in Charge” or “Big Man on Campus,” respectively). You envision yourself wielding some light-saber-esque type of wand that gives you the power to have everyone answer to you. You tell everyone what to do, when to do it, and how to look while doing it. You are now the boss, and you are in control. You say, “Jump!” and they say, “How high?” Right? Wrong.

The GAGOOS of Being the Boss

In a company, even with some incredibly incompetent people working above and around you, there are very few people who have a direct or permanent effect on what you earn. Outside of the outlier situations, like having a saboteur in the office, mostly there are a couple of people that have a real tangible impact on you, your career, and your paycheck. This probably includes your direct supervisor and may include, depending on the size of the company, a compensation committee, a group head, and/or the company or divisional president. These people hold the power to decide your schedule, your pay, who you work with, what projects you work on, and whether or not you remain employed with that company. That’s it. That is the full extent of their control over you, and if things don’t work out, you can cut bait and go to work somewhere else, with the only risk being the downtime it takes for you to find another company to work for.

However, employees tend to get the GAGOOS syndrome (otherwise known as the “grass is always greener on the other side” syndrome) and spend time daydreaming (and I do mean dreaming, because it is *far* from reality) about how great it would be to be the boss. Then, you wouldn’t have to work with stupid people, right? Then, you could set your own agenda and work with the best and the brightest minds around. Then, an incompetent fool wouldn’t be in charge of your destiny, and you would be

the master of your domain, right? Survey says… (insert buzzer sound here) wrong—again.

The problem with the GAGOOS syndrome is that the grass is only greener in your head. When you get to the other side, you see that the light was reflecting on the grass in a certain way that made it seem much greener from far away, but up close, it is the same damn shade of green, or worse—the grass is actually brown and dying.

> WHEN YOU START YOUR OWN BUSINESS, YOU ACTUALLY HAVE *MORE* PEOPLE YOU WORK FOR. YES—THAT'S RIGHT—MORE PEOPLE TO ANSWER TO, AND MORE PEOPLE WHO AFFECT YOUR FUTURE AND YOUR PAY. THESE PEOPLE HAVE EVEN MORE OF AN EFFECT ON YOU THAN ANY BOSS POSSIBLY COULD AT ANY JOB.

So, the premise that if you start your own business, you get to be your own boss and not have to answer to anyone is total GAGOOS. The reality check on this one is not pretty. When you start your own business, you actually have *more* people you work for. Yes—that's right—more people to answer to, and more people who affect your future and your pay. These people have even more of an effect on you than any boss possibly could at any job.

How can that be, you ask? Let's talk about some of the people that you, as a new business owner, work for, and how they can affect you.

Your Customers Are Your Bosses

I always say that the most important asset of a company is its customers, and I will reiterate that again here. If you have no customers—or more accurately, no paying customers—you have no business. It is impossible to have a business without any customers. This gives your customers unbelievable power—they own you. So, if you believe owning a business

means you get to be the boss, forget it; the customer is the number one boss, bar none.

If you think that you have worked for some of the most incompetent, god-awful, foolish, horrible superiors before, they may pale in comparison to your new bosses—your customers. This is exacerbated if you work in a business that services end-customers (rather than a business-to-business scenario, which isn't a picnic either). I have worked for nearly a decade and a half with businesses that sell products and services to the consumer; let me tell you that customers as a group can be beyond anything you have imagined.

Have you ever spoken to someone who works in customer service? If you don't work directly with customers in your current job, then I suggest you speak with someone who does before going to work serving customers. Some customers will blatantly try to scam you or steal from you. I have spoken to numerous customer service representatives that have recounted stories about people wanting refunds because their dog chewed up a product and now believe it is "defective." There are the representatives who work for a major bath and home retailer who explained that every year, right after Christmas, customers would return dozens upon dozens of *used* holiday tablecloths. One customer even had alterations made to the tablecloth to fit her unusually shaped table. The reasons for those returns—it "just didn't work for me."

There will be customers that will try to not pay you, there will be ones that try to nickel-and-dime you, customers who return products as damaged that they actually broke themselves, and customers who will take the product out of the box, replace it with something that you don't even sell, and try to return it for a full refund. There will be customers who will dispute your charge on their credit card because they didn't like the way they were treated or who will complain that the meal you served them was too cold and needs to be "comped" or discounted. Then, there will be customers who are so lonely that they will want to keep you on the phone, tied-up in person, or engaged in an email dialogue about all of their personal problems (none of which relate to your business).

You will send promotional emails to customers with a 50 percent discount on one item from May 1-6, and dozens will email back asking when the offer is good through, how much is it good for, and whether they

can use it when they get paid on May 10. Guess what? All of these people are your new bosses. Lucky you—as a business owner, these are the people for whom you now work!

One of my favorite essays of all time is a perfect example of what you could face. It is called "Reservations of an Airline Agent," written by Jonathan Lee and originally published in the *Washington Post* in the mid-1990s. Lee recounts his experience as an airline reservations agent who worked with customers to book flights. Here is one example of what he endured:

> "...the woman who wanted to know why she had to change clothes on our flight between Chicago and Washington (she was told she'd have to make a change between the two cities)…asking a woman from New York what city she wanted to go to in Arizona, she asked 'Oh...is it a big place?'…and a direct hit from a woman who wanted to fly to Hippopotamus, New York. After assuring her that there was no such city, she became irate and said it was a big city with a big airport. I asked if Hippopotamus was near Albany or Syracuse. It wasn't. Then I asked if it was near Buffalo. 'Buffalo!' she said. 'I knew it was a big animal!'"

I highly recommend you look up this piece online (it doesn't have an official URL, but it's all over the web; just Google it) and read it in full, as it is truly a gem and a great example of what you may have to look forward to in working with customers.

You have undoubtedly heard the saying that the customer is always right. The reason for that saying is that the customer *believes* that he is always right and if you don't take care of that customer (right or not) he will soon become an ex-customer. He will also badmouth you to every person he knows, including other existing customers and potential new customers. So, now you have a bunch of different bosses that each think that he is always right, regardless of whether it is true or not.

This may seem but a small annoyance in the grand scheme of things, but let me reiterate why your customers are your number one boss. Unlike your boss at your current job or previous employers who may be able to exercise influence over you if you remain employed, your pay, and possibly who you work with, your customers have much more control and influence.

Being fired from a job risks your salary, but if you are fired, you can quickly regroup and seek other employment. If your customers fire you, meaning that they don't patronize your business anymore, you can't quickly find replacements, and more than just your salary is at risk. If customers don't patronize your business, in addition to having your salary on the line, you are risking the entire investment you have put into the business, and all of the collateral you have put up to secure any financing for the business. The customer has much more control and a firmer grasp on you than any boss at any job ever could.

Obviously, you do have some control over whom you choose to serve as a customer or client, as established by Michael Port's "Red Velvet Rope Policy" in *Book Yourself Solid*. However, while you can choose to cut loose some potential or existing customers, you still need to have a paying customer base to have a business. And these customers will still dictate how you run your business because if it is not to their liking, they won't patronize it. Therefore, the customer is still in charge of, or at least has a strong degree of control over, your business's future. This is the case regardless of whether your client is a consumer or another business.

If you don't like your boss, you can ask for a transfer or quit and find another job. If you don't like your customers, you cannot just quit. You are tied down and committed financially and hopefully, emotionally as well. So, think about trading one, two, or a handful of bosses for dozens, hundreds, thousands, or millions of bosses, each with their own agenda.

Your Employees Are Your Bosses

If you have children, you may have realized that even though you as a parent and head of a household should control your household, you really don't; the kids do. What you do is dictated by the kids, and you usually have to attend to the kids' needs before you can even think about your own.

Your employees in a business are analogous in many ways to your kids at home. Technically, you are the boss, and you have the ultimate say about their employment with your company. But in many ways, you have to attend to their needs before you can worry about your own. To be

productive, you need to set forth procedures for them to follow. If they screw up, you need to fix their mess. If they don't show up, you need to cover for them. Sometimes, you need to be their personal psychologist and shoulder to cry on, too. And if your employees are not happy, they can wreak havoc upon your business (through sabotage, sheer laziness, or otherwise).

Yes, you control their employment, but they control whether your business is going to be successful and profitable through their performance. Oh, and they get paid before you do. So, who really works for whom?

Your Capital Partners Are Your Bosses

Many entrepreneurs can't afford to fund their business entirely on their own. They require some sort of outside capital to start the business and to continue operating the business. In fact, even large-scale businesses use outside money (such as lines of credit from the bank) to manage the ongoing functions of their businesses. If you are not funding and supporting your business 100 percent on your own, but rather taking in outside capital of some form, those investors and lenders are also your bosses.

There are two types of investors who invest in new companies. One group is the unsophisticated investors. These are friends, family members, and acquaintances that either know you or know someone who knows you. These people probably don't really understand your business— in fact they may not really understand business at all—but invest either because they believe in you, have some infatuation with your business idea or model, or because of peer pressure (someone else is investing, and they invest alongside them).

As investors, these people become co-owners of your business. Because they don't work with you on a daily basis and yet you are using their money, they now want to get updates on a regular basis. They may want to put in their two cents worth of ideas, like telling you, "Don't you think the store would look so much better with a singing plastic fish on the wall?" Or worse, they may want to come and hang out at your office or place of business. They bring their friends by to show off the business they invested

in or demand free or discounted products and services. You will have to answer to these folks, because they are now co-owners of your business and therefore people you can't ignore. These people, based on their lack of business sophistication, will at best, take up a lot of your time, and at worst, will make crazy demands on you and the business.

Then there are the sophisticated investors. These can come in the form of angel investors or venture capital funds. These are the glitzy investors that are hyped in the media and grace countless magazine articles and news programs. Sophisticated investors fund a tiny minority of all new businesses; for example, venture capital firms finance only a fraction of 1 percent of businesses each year. However, they often fund some of the biggest successes (although, in general, most of the companies in a sophisticated investor's portfolio will not be successes at all). These investors look at two main things—the strength of the management team (and their belief that the entrepreneur has what it takes to make the businesses successful) and the size of the opportunity. They only invest in businesses that they believe have a business model that has the potential to be a huge winner, knowing that in their portfolios, one big winner will make up for all of the other losers.

Now, sophisticated investors are supposed to be, by definition, sophisticated, so they keep a close eye on the businesses that they invest in, and those businesses need to supply them with a lot of information. Sophisticated investors don't manage businesses—that is not their job—but they do take their job as investors very seriously. The moment that the business is offtrack, and that means anything from not growing as quickly as you had originally hoped, to having greater expenses than projected—the types of issues that plague most businesses on a day-to-day basis—the sophisticated investors are going to make you answer to them. They are going to give their input and tell you what you need to do to manage the business better. If the business doesn't improve, or improves but not quite to the magnitude that they want, they are going to take action.

Most sophisticated investors won't invest in a company without substantial rights (these can come in terms of rights of the boards of directors, voting rights, or otherwise) to protect their interests and the interests of the investors that they represent. These rights nearly always include the ability to remove or replace the management of the company at

its discretion. So, if you hit some bumps in the road, your sophisticated investors can actually fire you from your own company! This presents a serious Catch-22 for you, as the cachet, involvement, and capital of a sophisticated investor provides a lot of rewards, but certainly not without risks. Clearly, sophisticated investors, to the extent you take them on, are your boss; you answer to them. In fact, they can even fire you, an option they often give themselves in their investment contract if the business isn't meeting its financial projections, or make significant operational demands on you, just like a boss at any other job can.

> IF YOU HIT SOME BUMPS IN THE ROAD, YOUR SOPHISTICATED INVESTORS CAN ACTUALLY FIRE YOU FROM YOUR OWN COMPANY!

If you take out any type of a loan for your business, then your lender will also be your boss. Lenders provide money to the business based, in part, on staking claim to the business's (or business owner's) assets. That means that the bank or other lending institution will give you a loan, but in the agreement it says that if the business goes south, it has first dibs on the assets. Most new businesses don't have a lot of assets or history, so many lenders require that the new business owner personally guarantee the loan.

A personal guarantee is exactly what it sounds like. It means that you agree that if you fall behind on payments, or if the business is struggling in certain areas and you aren't complying with the specifics of your lending agreement (called covenants), in addition to handing over the assets of the business if there is any shortfall in value, you will guarantee that the lenders get their money back. This usually requires you to put up some other substantial personal assets, like your house, as collateral. So, if the business is in trouble, you risk not only your paycheck, but all of your business assets, the money you put into the business, and any major loan collateral, such as your home.

Your lender is also clearly your boss, and you have to answer to this boss properly or risk potentially losing everything.

Your Franchisor Is Your Boss

I am a big advocate of having people explore the entrepreneurship angle slowly and methodically. And by this I do not mean that you should spend all of your time strategizing and none of your timing *doing*. You need to take action, but sometimes in a series of steps that give you appropriate feedback and evaluation points along your journey. Franchising can provide a lot of guidance to new entrepreneurs to help them navigate the new business process (assuming that you are franchising from a well-established, successful franchisor). It helps to minimize, although not eliminate, some of the downside risk, or failure. However, it does this by limiting the franchisee's choices and decisions in the business process, as well as upside potential.

What this means is that you are "sort of" your own boss. Actually, you really are not your own boss at all. You are what can best be described as halfway between an employee and a business owner, which means that if being your own boss is the motivation behind your wanting to start a business, you are not achieving that fully through franchising. On the *Job to Business Spectrum*, becoming a franchisee falls somewhere between a job-business and a business.

As a franchisee, you have to follow a number of parameters set by the parent franchisor. This is done to standardize the brand, goods, services, and customer experience at every franchise, so that whether a customer patronizes a franchise in Albuquerque, New Mexico; Camden, New Jersey; or Seattle, Washington, that customer has the same experience.

Franchisors also remove the decision making from you in many areas so you can focus on the blocking and tackling of running the day-to-day business.

Some of the areas that a franchisor may mandate are store location and size, signage, number of employees hired, product suppliers, uniforms, pricing, procedures, marketing practices, hours of operations, training, and ongoing improvements to the business. Franchisors will often audit or inspect franchisees and have secret shoppers patronize their franchisees' businesses to ensure that they are up to par. They will communicate their vision and ask you to carry it out, while they share in your revenues or

profits. They likely have the ability to terminate your franchise if you don't follow their rules and standards. They may also be able to influence or limit how and if you are able to sell your franchise in the future. So, if you wanted to be the big cheese and not have to answer to anyone, then franchising isn't going to quite cut it for you.

Everyone Else Is Your Boss, Too

If you thought that customers, employees, capital partners, and franchisors ended the list of who you really work for when you own your own business —just wait—there's more! The complete list of everyone that you will have answer to when you are your own boss continues to grow. If you have office or retail space, your landlord will give you lists of rules and regulations you must follow (in the case of the latter, perhaps even telling you what hours you need to be open for business and what goods you can carry). Of course, landlords also want to get paid, and if you don't pay them on time, they will kick you out. Your vendors also act as a boss. Vendors tell you when you have to pay them, what you can order and then, why they can't meet your deadline, even when they originally promised that they would. Regulatory bodies tell you to file paperwork, apply for permits, and follow other rules and regulations, not to mention require you to pay part of your earnings as taxes.

So, what did you learn? As your own boss, there is a limitless number of people telling you what to do, day in and day out. This is probably not the vision you had in mind when you first thought about becoming the HBIC or the BMOC.

Stella Inserra, whom I mentioned in the previous chapter, thought she would be her own boss when she started Simply Dazzling Events. She said, "Most people think that wedding planning is about designing pretty things, but I have to do what the client wants, based on their aesthetic and taste. I am at their beck and call and at the end of the day we do what they want, not what I want. The customer is the boss, which did not occur to me before I started my business. I thought I would be the boss, but to generate income I have to accept the reality that my clients are my boss."

In starting a business, you want to be in control of your own destiny. But the reality is that you are at the mercy of a wide variety of entities that you depend on for your business. Sure, they may not set the rules on what hours you need to work, or how to dress the way a typical employer would, but if customers don't like your brand message or you aren't working hard enough for them, they won't patronize your business. You can set your schedule, as long as your customers are available and want access to your business during those hours. You can pick your uniforms, as long as your customers think those uniforms present an appealing and appropriate image to them. When you start a business, you can have employees answer to you, but if they don't pull their weight, they can bring down your business. You can pick your vendors, but they can affect whether or not you have goods to sell to your customers in a timely fashion. In reality, as a business owner, you have less control now than you ever did before as someone else's employee.

There is not as much freedom in the "freedom to be your own boss" as you might believe. Please be realistic about what being your own boss means, and the additional responsibilities and costs required to be in charge. The reality is that being your own boss is probably not a good reason to want to start a business.

EXERCISE 2:

TARGET FOCUS—MOTIVATIONS:
Evaluating Control Factors

Think about the people in the organization at your current job (or a job you may be applying for).

1. Write down the names and titles of the people who have control over your career and future. Call this the "job control" list.
2. Next to each name, write down what function(s) these people have control over, including:

    - your schedule

- your salary and bonus
- your location (whether you work at home, in the office, etc.)
- your ability to be promoted within the organization
- which people in the organization you work with
- any other areas that are important to you

3. Go back to that list and cross out any names that don't *truly* have the full power and influence to make a decision. When you are finished, this should be a fairly short list.
4. Next to each remaining name, write down how you can control these relationships to have more influence over your career path. Feel free to use new sheets of paper if needed.
5. Review the list and evaluate if the issues are specific to your particular company, or if would they improve by finding another job.
6. Now, create a second list of every person who may have control over your success in your own business. Call this the "business control" list. This list may include:

    - your customers
    - your employees
    - your investors
    - your landlord
    - your vendors
    - your franchise parent company
    - anyone else who may have some control over the success of your business

7. Write down what functions each of these people or groups has control over, including:

    - your schedule
    - your ability to make a salary or profit
    - your location
    - your ability to grow the organization
    - your ability to make choices about the business's focus

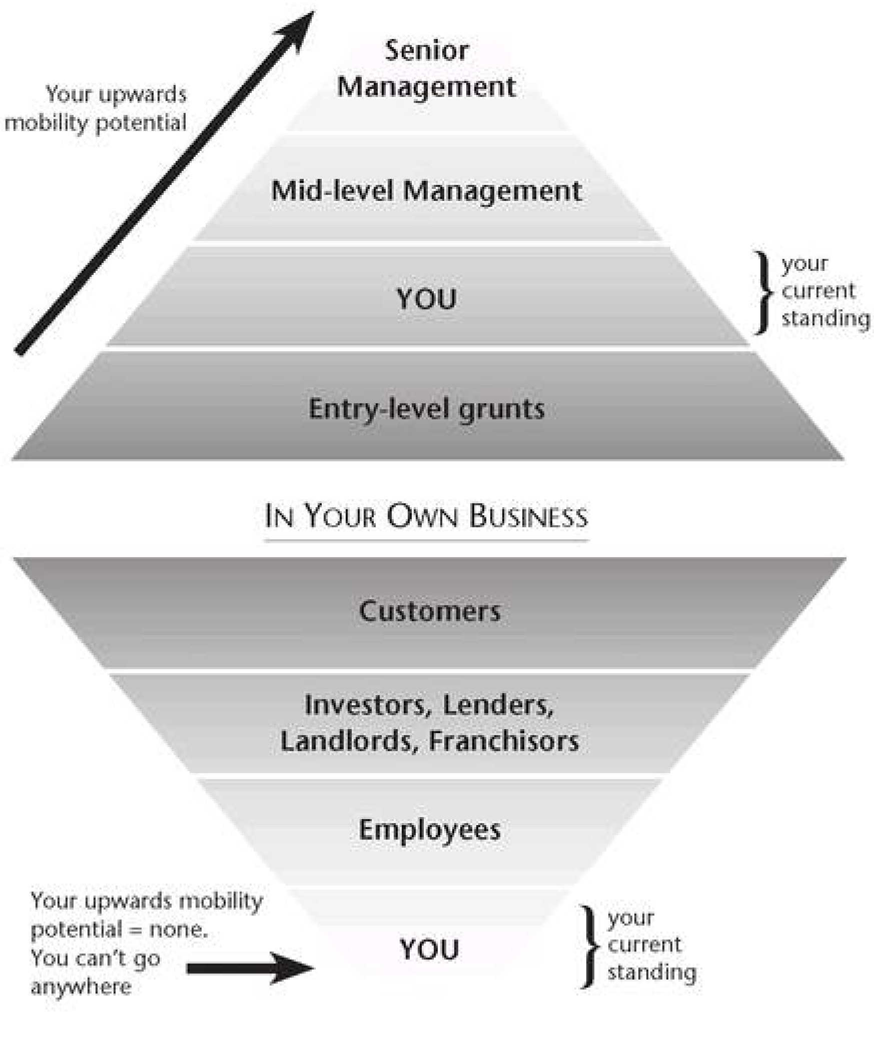
• any other areas of influence

Compare the job control list and the business control list. Do the lists surprise you? Do they justify your motivations? Use these two lists to further evaluate your motivations and make any necessary changes or notes to your baseline motivations list.

AN ILLUSTRATION:

Control, Mobility, and Freedom at a Job and When You Own Your Own Company

<u>AT YOUR CURRENT JOB</u>



Get the picture?

6

Your Ego Made You Do It

NOW, JUST LIKE MY NICKNAME-SAKE Lucy Van Pelt, I often give advice, but I am not in any way a psychiatrist, so I don't know all of the fancy technical background information on the term *ego*. What I do know is that unlike its frequent connotation, ego isn't always a bad thing. Your ego is, in part, your self-esteem, based upon your perception and reflection of yourself built through interaction with others. Sometimes your ego is trying to help protect you from getting hurt, and at other times it is meant to help you express yourself to others. While your ego is usually trying its best to help you, it is usually not good for business.

Control of Your Own Destiny or Fear of Rejection?

One way your ego interferes in a career path is by convincing you that running your own business gives you control of your own destiny. This feeling is, as with many ego-driven feelings, a bit misguided. The desire to control your destiny may actually be your ego trying to protect you from rejection. It tells you that if you aren't working for someone else, or applying to work for someone else, they can't fire you, and they can't prevent you from getting hired or getting a raise. They can't reject your work (i.e. have control over you) if you aren't working for them in the first place.

As discussed in the last chapter, this ignores the reality that if you own your own business, you are controlled not by a few people, but rather by many; these people being *customers*. It is much worse to get rejected by everyone in the United States—306 million potential customers that don't want to buy your products or services—than a few prospective employers

that don't want to hire you. The ego doesn't understand that it is much easier to reach and sell yourself as a prospective employee to potential employers a few times in your life, than reach your target customers and keep selling your goods and services to them each and every day.

Your ego doesn't understand this because the potential rejection with employers is direct, versus indirect rejection with customers. If you reach out to an employer to be hired or to your boss for a raise, or if you get fired, you take it personally. If you are rejected by potential customers, at least some of the time, you don't even know that you are being rejected—you have never made a true initial connection to be able to be really offended by the indirect rejection in the first place. If you are directly rejected by a customer or potential customer, you can hide behind the corporate entity so that you don't take it personally (or at least your ego leads you to believe you won't).

> IT IS MUCH EASIER TO REACH AND SELL YOURSELF AS A PROSPECTIVE EMPLOYEE TO POTENTIAL EMPLOYERS A FEW TIMES IN YOUR LIFE, THAN REACH YOUR TARGET CUSTOMERS AND KEEP SELLING YOUR GOODS AND SERVICES TO THEM EACH AND EVERY DAY.

Let's be honest, if you can't woo your boss into a raise, or woo a prospective employer to hire you, how can you woo your employees to perform at top levels or woo customers to patronize your business? If you don't have those skills in one arena, you aren't going to have them in the other. Whatever rejection you are running from will be exacerbated by a factor of at least a hundred when you are on your own and your money is on the line.

The Glamorous Life

Another thing that your ego does is guide you to try to impress other people. They call it “keeping up with the Joneses,” or more accurately these days, “outdoing the Joneses.” Your ego tells you that if you are feeling down about your career or other things, starting your own business can give you a spark or even the beginnings of an exciting life. You may think it sounds sexy and gives you stature to be a CEO, owner, and entrepreneur of “Youco.” You can tell everyone that you are the HBIC or the BMOC, and that makes you feel good and powerful.

Starting a business to give you an ego trip or to give you a fancy story to tell at cocktail parties are terrible reasons to start a business. It is that exact false sense of reality that will actually decrease your chances of being successful (and then your *failure* will be the topic of neighborhood party conversations).

I never understood those people who do things to impress people they can’t stand. People take expensive trips, buy cars they can’t afford, move into neighborhoods beyond their means, and sometimes, even change their career path to show off to people they really don’t like. If you live for the story, just tell the truth in a fancy and clever way. It is a lot cheaper and easier with a hell of a lot less risk. Buy a government savings bond for fifty dollars and tell your neighbors that you are an investor in the long-term government securities business. Or bring back your recyclable glass bottles to collect the five cents each and tell everyone you have a side business in recycling. Most of the people won’t know what you are talking about, and it will sound sexy without your having to take on the risk of a real business.

I’ll Show Them!

A more severe case of showing off for the Joneses is proving other people wrong. You want to seek revenge on the doubters. Sally broke up with you because she never thought you had the drive to accomplish anything. Your mom never praised you enough. The people at work never respect your ideas. Now, you’ll show them how great you are by running your own business!

I am not saying that you can’t get inspired by trying to prove someone wrong, but don’t use that as your sole inspiration to start a business. Business is much more complicated than that and needs to be inspired from an actual market need, not a personal need to prove someone wrong. Proving your worth to others is a nice stroke to the ego, but it’s not enough of a reason to launch a business.

Everyone Tells You That You Should Do It

The other way the ego gets involved is when other people start fueling it. “You are so smart,” you are told by everyone, “Why are you working for someone else?” You think you have a great idea, and everyone who hears about it tells you that you will make millions of dollars. You deserve to be a big success, and everyone else agrees.

The first question you need to ask yourself is, “Who are these ‘everyones?’” Is it Bill Gates, Warren Buffett, or Richard Branson giving you this advice? Or is it your sister, whose total business experience amounts to helping her kids run a lemonade stand? You need to do a reality check separate from your ego, and when you hear advice or feedback from someone, ask yourself, “Does this person know anything about business; in particular, the type of business that I am thinking of buying or starting?” If they don’t, their advice is probably worthless. It is like the students at a school for the blind complimenting your fashion sense. It seems nice on the surface, but it is actually throwaway commentary; it doesn’t hold much practical value.

Please note that I am not saying that you shouldn’t seek out moral support. Many champions of self-employment, including Pam Slim in *Escape from Cubicle Nation*, advocate having a group that will cheer you on when things get tough, and I believe that everyone needs that kind of support. However, there is a huge difference between receiving moral support to help you endure a difficult challenge and receiving useful feedback to help you evaluate business risk. You need to understand and respect that difference.

Even if the person hyping you up is credible, ask yourself, “What does this person know about me, and what do they have at stake?” Is he someone that will tell you that you have spinach in your teeth, or is he a “yes man” who will tell you what you want to hear because he wants to be friendly? Unless this person is really digging into your business model, your financial position, your marketing strategy, and other critical components that will make your business a success, and is so engaged with it that he is willing to put his own money at risk, then don’t rely on this fluffiness either. Without a lot of in-depth knowledge backing it up, and particularly, without any quantifiable risk behind it, his advice is worth about as much as the paper on which it is written.

Don’t let your ego force you into something in a misguided way to try to protect you or pump you up, or worse—make an impression on someone who you shouldn’t care about and who doesn’t have a stake in the future of your business. Business and ego do not mix. Keep your day job and opt for the clever storytelling instead.

EXERCISE 3

TARGET FOCUS—MOTIVATIONS:
Defining Your Baseline Motivations List (Part 2)

For this exercise, you need to take out your baseline motivations list generated in Exercise 1.

1. Revise your list to include additional reasons that you have thought of regarding why you want to start a business, crossing out any that you believe are based on unrealistic and/or unachievable assumptions as addressed in chapters 4 and 5.
2. Cross out any motivations that you believe are influenced by:

    - fear of rejection
    - seeking others’ approval
    - proving a point to a third party

- feedback primarily from one or more third parties that have little experience and/or no risk in your venture

This pared-down list should start to show you your true motivations. You will use this list to help create the “rewards” side of your Entrepreneur Equation later in the book.

7

Business Ideas—Worth Almost as Much as the Paper They Are Written On

ONE OF THE BIGGEST misconceptions in business revolves around the value of business ideas. You may know someone who came up with a great idea—or maybe you came up with it yourself—and someone else pursued it and made a mint. If you could just find a way to get paid for thinking of the next big business idea, you would be set for life. The problem is, you can't.

A Penny for Your Thoughts . . . If You're Lucky

The biggest bummer about business is that the ideas behind them aren't worth anything. Ideas may have had some value back in the day when there were very few businesses in any given sector. Now that almost everything has already been thought of, not only is it hard to be innovative, but extracting value comes not from thinking of an idea for a business, but from turning it from idea to reality through work.

I really wish that ideas were valuable. If they were, I could have retired years ago. When I was a youngster, I was always coming up with what I believed to be outstanding business ideas—ones certain to make lots of money. One early business idea that I had was disguised as a game that I played with my younger sister, called Store. I was about eight when I created Store, and my sister was just a little tike. Store went as follows: I would find inventory in my sister's bedroom, basically her favorite items—stuffed animals, stickers, toys, etc. I would then take those items and set them up in my bedroom, arranging them in a way that replicated a fun and friendly retail environment. Then, she would come into my bedroom as a customer and shop the store. I would, of course, provide unparalleled

customer service, and then my sister would use her allowance money to purchase items from the store. On days when my selling skills were really sharp, she would buy everything in the store. Since they were her items to begin with, I had no inventory risk and 100 percent gross profit margins! Best of all, I was selling out of my bedroom, meaning that my parents were paying the "rent" on the store. It was the ideal business until my mom shut it down (and grounded me) before I could expand it throughout the neighborhood.

My early ideas for business success ranged from the standard lemonade stand and door-to-door cookie sales to designing custom T-shirts (if you saw my artistic abilities, this one would really frighten you), and more. Early on, I attempted each of these businesses and got bored pretty quickly. As I got older, the business ideas became more varied and I became lazier—I just wanted to think of the business ideas and not really do much else. By college, these business ideas ranged from products like a set of NFL-based action figures that you could "draft" to create your own dream team, complete with custom football jerseys that you sent away for with your team colors and the players' names on the back, to a line of purses that you could change the look of by putting a new cover over it, to a whole slew of theme restaurants.[1]

I had notebooks filled with business ideas, any one of which could have been successful if I had taken the time to seriously pursue it.

Many of my business ideas were executed at a later date by someone else. No, not someone I told or helped, just someone else in the universe with the same or a similar idea that actually took on the risk and put in the time, money, and effort to make it happen (sometimes they were successful, sometimes not). At first this agitated me, but now that I understand what it takes to make a business successful, I have made peace with that reality.

The reason why I am no longer bitter about someone else making money when I had conceived of the same business idea first is that I now understand that business ideas by themselves have no value. The value is in the business *execution*. I have said it a thousand times if I have said it once: good ideas can fail, and bad ideas can succeed. The difference is the risk, time, commitment, and perseverance to take an idea, decipher if there is a market need for it, create a way to reach potential customers with that need

in a cost-effective manner, and make the product or service at a cost that it will be desired by the customer and still leave enough money left over for you to profit from it. Not to mention working at it every day indefinitely, constantly innovating and providing outstanding service and value to your customer so that someone doesn't steal your customers and business away from you.

If you aren't convinced that ideas have very little value, let me give you some different examples which all, in different ways, illustrate that business ideas have very little to do with business successes.

Online Grocery Shopping: Same Idea, Many Different Outcomes

If you believe that business ideas have value, then how much is the business idea for starting an online grocery service worth? There were many who came up with this idea, tried it, and failed. The most high-profile disaster was Webvan. Founded in 1999, the online grocer went from an idea to national expansion faster than a Ferrari goes from zero to sixty. Webvan went public, and at its peak was worth thirty dollars per share, or $1.2 billion.[2] By July 2001, only eighteen months after its inception, it went out of business, putting two thousand employees out of work.

Others had similar business ideas—starting online grocery services—some went well, some didn't. A company called Peapod also had the idea to become an online grocery service. It was the same business idea, but with a drastically different outcome. Even though Peapod had its struggles as well, it was purchased by Dutch Supermarket company Royal Ahold, where today it remains an operating subsidiary.[3] While Royal Ahold doesn't break out the specific financial performance of Peapod in its annual report, Peapod continues to expand to service new markets. While we can only speculate that its expansion indicates that it is doing well, at least it is still in existence.

So, if there were value in a business idea alone, how would you attribute value to just the idea of starting an online grocery company? How can you

define that value, particularly when you have one major online grocery company that went from zero value to $1.2 billion and back to zero in eighteen short months, while another remains in business to this day? The answer: there is no value to the business idea—it is in the execution. The same business idea can be executed brilliantly, poorly, or somewhere in the middle.

The UFC: A Business Idea That Went to the Brink of Bankruptcy with One Owner and Became a Huge Success with a Different Set of Entrepreneurs

One of the fastest growing sports in America is Mixed Martial Arts (MMA). The premier league for MMA is the Ultimate Fighting Championship or UFC. What made the UFC such a successful league?

Was it the business idea of creating a Mixed Martial Arts league? I am going to give that a big "no." The UFC was founded in 1993 by a company called Semaphore Entertainment Group. It was splashy and unique, yet the company almost went bankrupt.[4] As the company explored options before completely going out of business, Dana White (current president of the UFC) and his business partners, casino moguls Frank and Lorenzo Fertitta, offered to buy the UFC. Under this new ownership, the UFC has prospered, with *Forbes* valuing it today, less than a decade after its purchase, at about $1 billion.[5]

Was it the business idea that had changed? No, in fact it was not only the same business idea, it was the same damn company. What did change was the way the company was run, managed, and particularly, the way it was marketed. So, was it the business idea that created value? Obviously not, unless you are prepared to argue that the same business idea can be both worthless and worth $1 billion. It was the execution, and the people executing the idea, that created the value.

Businesses That Were Successful without a Great Business Idea

If you need further convincing that the business idea itself has no value (or that it has no influence on the success of the business), let me quickly give you a few businesses that were very successful without a novel business idea.

- McDonald's certainly wasn't the first, or last, hamburger joint, so clearly that business idea—"Let's open a restaurant selling hamburgers!" —wasn't what made McDonald's successful.
- Starbucks wasn't the first coffee retailer, nor the only means to get coffee. In fact, when Starbucks was founded, you could get coffee at nearly every convenience store, Dunkin' Donuts, or even at home if you preferred. The business idea of opening coffee stores on every corner certainly wasn't the reason why Starbucks was successful.
- Then, there is the Snuggie—the blanket with arms that's basically just a bathrobe that you put on backward. This wasn't a new idea—bathrobes have been around for a long time—and Snuggies aren't even attractive (you look like a monk when you wear one), but they are marketed brilliantly and more than $100 million worth of Snuggies have been sold in a year's time.[6] It may be more of a product than a business, but whatever you want to call it, the basic idea is not what made Snuggie successful.

As you can see from the aforementioned examples, the business ideas had very little influence on the outcomes of the various businesses. Basically, the ideas are just a starting point to help you get focused. It is what you do afterward that creates the value.

Ideas versus Execution, Continued

Nobody whose head is screwed on straight will buy a business idea from you, or anyone else, because any value related to a business idea is in its implementation. Maybe if you give someone a business ideas, they will one day send you a coupon for a free product, but that is about it. The further something gets away from an idea, the more value that exists. Things like customers, profits, and competitive barriers to entry create value.

The reality of the lack of value in business ideas is a shock and a disappointment to many people who want to get compensated for thinking of “the next big thing.” If I haven’t persuaded you yet, then the best way that I can illustrate to you why, in the grand scheme of business, the idea has such little value is through the chart on the next page. I have taken some, but certainly not all, of the facets required to run a business and broken them down. A few of the tasks are specific to certain types of businesses, but most are required by all businesses.

What this chart is meant to demonstrate is that there are so many tasks required in running a business; thinking of the initial idea is just one of many (this list isn’t even all-inclusive, but I figured you would get the point after thirty-something examples of business tasks). Sure, the idea kicks off setting the business in motion, but coming up with an idea is a one-time thing that isn’t particularly difficult, doesn’t require much risk, and doesn’t take a lot of work. Even if you were lying in bed fine-tuning the idea every night before you went to sleep for six months, this pales in comparison to the amount of work required to get the business started and make it successful. The other facets of starting and running the business, of which there are many, are quite difficult to do. They require a lot of risk to do, and to do well. They aren’t done once but have to be attended to on a pretty much daily basis. They take a lot of hard work.

So, in looking at this whole thing we call a business, would you place a lot of value on a one-time idea that took no risk to produce, or on the other thirty-plus tasks that have to be done indefinitely, day in and day out, that take a ton of risk and hard work? Hopefully, that answer is crystal clear, and my breakdown gives you more insight on why business concept ideas have no value so that you, like me, can also make peace with not getting compensated for them.

Task	One Time or Ongoing	Difficulty	Risk	Work Required
Conceiving Original Business Idea	Once	Low	Low	Little
Conceiving Business Model	Once	Low	Low	Little
Creating Initial Business Plan	Once	Low	Low	Little
Fine Tuning Business Model	Ongoing	High	High	Lots
Creating Updated Business Plans	Ongoing	High	High	Lots
Hiring Employees	Ongoing	High	High	Lots
Managing Employees	Ongoing	High	High	Lots
Training Employees	Ongoing	High	High	Lots
Investing Money	Ongoing	High	High	Lots
Taking on Risk & Opportunity Cost	Ongoing	High	High	Lots
Designing Products/Services	Ongoing	High	High	Lots
Setting Pricing	Ongoing	High	High	Lots
Finding Vendor Partners	Ongoing	High	High	Lots
Manufacturing Products	Ongoing	High	High	Lots
Finding Retailers or Resellers	Ongoing	High	High	Lots
Building Out Your Store	Once/Ongoing	High	High	Lots
Performing Services	Ongoing	High	High	Lots
Identifying Customers	Ongoing	High	High	Lots
Marketing to Customers	Ongoing	High	High	Lots
Servicing Customers	Ongoing	High	High	Lots
Performing Customer Service	Ongoing	High	High	Lots
Automating Your Systems	Ongoing	High	High	Lots
Managing Technology	Ongoing	High	High	Lots
Managing Logistics	Ongoing	High	High	Lots
Following the Competition	Ongoing	High	High	Lots
Outmaneuvering the Competition	Ongoing	High	High	Lots
Creating New Innovations	Ongoing	High	High	Lots
Managing Your Brand	Ongoing	High	High	Lots
Protecting Intellectual Property	Ongoing	High	High	Lots
Decreasing Operating Costs	Ongoing	High	High	Lots
Managing Your Service Providers	Ongoing	High	High	Lots
Administrative Work	Ongoing	High	High	Lots
Growing the Business	Ongoing	High	High	Lots

Why the Word “Scheme” Usually Follows the Phrase “Get Rich Quick”

Many people who want to get compensated for their business ideas are basically get-rich-quick type of people (otherwise known as lazy and/ or delusional). There is no getting rich quickly in business. Businesses require work. Here is my final attempt to demonstrate why you can't depend on ideas to get rich quickly.

There is a young man who calls me every six to nine months. He was pawned off on me—I mean "referred" to me—by one of the lawyers I do a lot of business with. Sometimes referrals are great, and sometimes referrals are someone's way of passing the buck. This particular situation is the latter, and I have never forgiven my lawyer friend for this "referral." I will call this young man Chad. Chad is desperate to make money from ideas, but doesn't have much else to offer.

Chad first contacted me because he knew of a great niche food manufacturing and marketing business that he wanted to buy. He had a contact (I use that word very loosely, as it was his word, not mine) who was a part of said company's board of directors. This contact apparently told Chad that the company's shareholders would consider selling the company for the right price. He wanted to see if I could help him raise the money to purchase the business.

I will keep a long story very short. When asked how much money he was going to contribute, Chad had none. Not $10,000, not $1,000; he literally didn't have a penny to contribute toward the potentially multimillion-dollar purchase price. When I asked Chad what his previous experience was in the food business that he was going to bring to the table ostensibly to help grow the business and create more value from it, he said he had none. Invariably, I told him with no money and no experience, he wasn't going to make a great partner for any investors who might consider helping purchase that food company. He was expecting to earn ownership and even a management position in the company, but what was his added value to the business going forward?

His answer; "It was my idea to buy it." I quickly explained that it wasn't a very novel idea and that without anything else to contribute, he wasn't going to be able to make that happen. I thought he understood, and Chad dropped that idea.

Chad and I had many similar conversations relating to other "ideas." My most recent contact with Chad was a few months ago. I felt a bit of dread

when I heard his voice on the other end of the phone, but I always do try to provide a few words of encouragement (or a quick reality check, as the case may be) when possible. This time, Chad informed me that he knew of a business that was struggling that he again wanted to buy, but his "financing" (again, his words, not mine) had fallen through, and he wanted to see if I could help him find new financing. I was shocked to hear that he had financing in place for an acquisition, so I was compelled to learn more.

I shouldn't have been. He told me that his intended acquisition target was a publicly traded company. At the time, it had investment bankers representing it as it explored the possibility of a sale. As for his "financing," it was as follows: the business had certain valuable assets that exceeded the value of the business, in his opinion. He knew a second company that would pay more for those certain assets than the public value of the target company. He was—in his mind—going to finance the purchase of the business by selling the assets of the company off to this second company, then use the proceeds to buy the original business and keep the leftover cash. Clearly, the investment banker explained to him that he didn't own the assets of the company and so it wasn't an option for him to sell them in advance of actually buying the business.

Once again, Chad had no money and wanted financing to buy the business. I tried to explain that if the certain assets had value that could be extracted by selling them to another company, the company would just pursue that strategy itself because its shareholders would want to receive that value. Above and beyond that issue, was again, how was he going to get a financing partner if he wasn't contributing any money?

Again, it was his "idea." You can now visualize me pounding my head against the wall. Chad, like many other potential entrepreneurs, is enamored by his ideas. They think they are valuable. They are not.

Chad is constantly looking for get-rich-quick opportunities. There is a reason that the word "scheme" usually follows the words "get," "rich," and "quick." It is because in reality, that doesn't exist. With the über-rare lottery-type exception, real riches follow hard work. It follows risk, dedication, and a bit of luck and fortune. There is no real trade for new business ideas. Even if you are an inventor, you have to do more than conceptualize your idea—you need to show that it works. Work is required in terms of patenting, prototyping, and more, to turn an idea into something

with monetary value. If Chad stopped thinking of schemes and actually did some work, he might eventually have something to offer in terms of money and experience. Think of what he could potentially bring to the table in ten years if he focused and made an actual effort to create real value in a business? It could be quite a lot, but I have a bad feeling that ten years from now, Chad and I will still be talking about his "ideas."

Nobody's Buying Just an Idea

As noted in a previous chapter, the number one attribute that professional investors look for when they invest in a business is the entrepreneur(s) behind the business. If they believe you can take a business from an idea to a valuable entity, then you and your idea are investment-worthy. If you are in love with your ideas and think that is where the big value lies, then you are not investment-worthy. Basically, if you are too lazy to do anything other than think of ideas, stay far away from the business path. In fact, if any of the following apply to you, you should just forget it; it isn't going to happen:

- You have an idea that you want to sell.
- You have an idea that you want someone else to execute without you being centrally involved in making it happen.
- You think your idea is going to allow you to get rich quickly.
- The more work you do to implement your business idea, the more value you will receive, because the value is all in the implementation.

Obsessed with Your Idea

Before I move on, here is one other quick issue with business ideas. Sometimes you get a great business idea that you become obsessed with it. As opposed to the lazy, get-rich-quick dreamers, you are actually totally willing to do the work to make the idea happen. In fact, it is all you want to

do; you will do anything it takes to get it done, and the reason is that you are in love with your business idea.

Now, it is great to have a passion for a business—that is a helpful element if you want to be successful—but I have met countless entrepreneurs who want to make their business idea a reality so badly that they don't do much research beyond thinking about the business idea. Their obsessions are rooted in a handful of reasons. They want to leave their mark on society, they "know" it will make them money, or some other non-reality-based reason.

The problem is that the business idea is where they stop working. They never really get to the business model or to the customer need with any real research or thought. They just extrapolate that if they think it is a great idea or that everyone will want it, then everyone will, right? Wrong.

There are a lot of business ideas that would serve a customer need but don't have a means to make money. For example, there was an online delivery service back in the big dot-com boom called Kozmo.com. You could go to its website and the company would deliver snacks, movies, and other small goodies to your location for free in under an hour. When I lived in San Francisco in the late 1990s, I used Kozmo. com to bring cartons of ice cream to my office when I had to pull allnighters at work. It was a very popular service among my friends and colleagues. Kozmo.com addressed a customer need—access to snacks and sundries on demand—but couldn't make money from it. It wasn't making enough money to justify the costs of delivery and running the business—including paying the delivery driver and order taker, or paying for gas, marketing, etc. Kozmo.com started to charge a minimum fee, but that changed the customer demand. The customer wanted access, but only if it was free with no minimum charge. Even though the company had raised a lot of money, had a high-profile business partner in Starbucks, and had a business model that satisfied the customer, the business couldn't make money. Kozmo.com went out of business in just a couple of years.

Then, there are the people who think there is a major customer need when there isn't one. In my review of more than a thousand business plans, I have seen all kinds of plans that offer goods and services that ultimately aren't needed, let alone desired, by customers. This is particularly an issue with people who want to be creative and just hope that there will be

someone who likes what they put out, rather than working backward from the needs of the target customers.

If you are going to obsess over a business idea, it better be because you are satisfying an actual customer need or want in a way that can make some money. If not, then you should probably keep your day job.

ENDNOTES:

1 Giving a shout out to my friend Dave who assisted in the creation and brainstorming of many of these useless ideas!
2 Kent German, "Top 10 Dot-Com Flops," CNET, http://www.cnet.com/1990-11136_1-6278387-1.html.
3 Claire Saliba, "With Webvan Gone, Where Will Online Shoppers Turn?" *E-Commerce Times*, July 10, 2001, http://www.ecommercetimes.com/story/11884.html.
4 http://www.entrepreneur.com/startingabusiness/successstories/article180692.html.
5 David Sweet, "How Upstart UFC Crushed Its Competition," MSNBC, Nov. 5, 2008, http://www.msnbc.msn.com/id/27562254/.
6 CNBC, *As Seen on TV* documentary.

PERSONAL BRAINSTORM

TARGET FOCUS—MOTIVATIONS:
Assessing How Your Idea Influences Your Motivation

Note: You can choose to write down your answers to your personal brainstorms or just reflect upon them.

Check your baseline motivation list to see if one of your motivations is that you have a great business idea. If so, ask

yourself if you are motivated to start a new idea because you believe your idea is valuable.

Now, assign your business idea a value of zero dollars. Now ask yourself if you are still interested in starting the business. If your answer is no, then cross the “I have a great idea” reason off of your baseline motivations list. If you are still interested, think about what else you have at this time that may be of value. This could include:

- Achieving milestones, such as building a working prototype, landing paying customers or filing defensible patents; or
- Bringing unparalleled experience, knowledge and/or relationships to the table.

Think about what value you have created to date and can bring to bear in a new business. Is this enough to keep you motivated to succeed and for how long? When you evaluate your Entrepreneur Equation, you will want to think about these types of items and what they can do to decrease the risk and/or increase the rewards of owning your own business. Creating value helps you to stack the odds of success in your favor.

8

There Is a Reason That You Enjoy Your Hobby (Hint: It's Not Work)

IN THE MANY DISCUSSIONS I have had with entrepreneurs over the past fifteen years, one of the top ten reasons entrepreneurs give for wanting to start a certain business is that they dream of doing their hobby full time. They love playing golf, collecting figurines, dancing—you name it—and because they enjoy it, they think that their key to career happiness is to pursue something related to their hobby full time.

There are two sides to this issue. First, I am a huge supporter of the theory that you need to be passionate about what you do in order to maximize your success. I do believe that businesses that have upper management and owners who are in the same demographic as their target customer, and who use and enjoy the type of goods or services produced by their company, are better at understanding the customer perspective. This makes for more successful businesses.

On the other hand, part of the reason that we enjoy our hobbies is because they are done in our free time. They are—by definition, leisure—not work. We enjoy our hobbies because we do them at our discretion and control. We don't have to worry about them producing a paycheck. We can relax when we pursue our hobbies.

Unmasking the "Wizard"

What is your favorite food? Maybe it's ice cream, pizza, chocolate, or steak? Whatever it is, think of that favorite food that brings you joy to eat. Now, what if someone made you eat that food and only that food every day? Pizza for breakfast, lunch, and dinner. Pizza for snacks and for dessert.

Pizza when you were sick or healthy, home or out to dinner. That is it, you are 100 percent committed to pizza. Most of you would get sick of pizza after a while. While it may be your favorite food amongst other choices, if you were forced to eat it every day, it would probably lose much of its appeal. This is the same with hobbies. They are great because you aren't compelled to pursue them. Once a hobby crosses the line to become something you must do to earn a living, your relationship with the hobby changes.

This happened to me when I used to collect toys. I was a very avid collector, and since I pursue everything I do with ridiculous zeal, I amassed several extremely rare collections featuring prototypes and hard-to-find exotic toys. Several years into my "addiction," I took on my first toy industry client. At first I was thrilled, as now I had a role in the inner workings of something about which I was truly passionate. However, as I got more involved with the client and had access to anything I wanted, the thrill of the hunt (a critical part of the collecting hobby) died down. I learned about how the toys were conceived, and some of the intrigue was lost. The whole experience was sort of like Dorothy and her friends peering behind the curtain to find that the Wizard of Oz was not an awesome, powerful stud but rather some regular little guy. It killed the fantasy and the magic: the mystique of the wizard was gone. This was the same feeling I had as I peered behind the curtain of the magical world of toys. It wasn't so magical anymore. This was great for my bank account, but not great for my hobby.

Passion Doesn't Guarantee a Living

My experience with my toy client also gave me additional insight into some other issues relating to the hobby-as-a-business phenomenon. Many hobbyists believe that because they understand a particular hobby (and some know everything there is to know about their hobby from the hobbyist perspective), it would be easy for them to transition into a business focused on the hobby. There is an incredible amount of naïveté regarding how difficult it is to run a business. Just because you understand the product or

service of a business doesn't mean that you can effectively run a business in that industry.

With my various clients, I have seen hobbyist customers who will openly blog or post online about issues such as the companies' prices being too high. Customers have suggested that the retail price of certain items be revised to a price that is actually lower than my clients' costs of manufacturing those goods. Also, many of the hobbyists aren't realistic about the businesses' ongoing costs and expenses. Sometimes, they don't grasp the need for companies' employees to be paid actual competitive wages. They don't seem to realize that just because it is a hobby to them doesn't mean that everyone involved wants to work for a reduced rate (or for free). They also believe that if they were in charge, they could circumvent things that are completely outside of a company's control, such as shipping delays due to containers being caught up in U.S. customs.

Another issue I have seen with hobbyists that want to start hobbybased businesses is that many hobby niches aren't large enough to support a full business. As Pam Slim notes in *Escape from Cubicle Nation*, "intense passion for something and a viable business model to turn this passion into a decent living are two totally different things."

It may be great that you love to knit holders for the heads of your golf clubs in the shapes of cute animals, but that doesn't mean there is a bona fide business that can be based around it. Using the 10 percent profit proxy for healthy products companies (which will be discussed in further in chapter 25), if you want to make $50,000 a year, you would have to sell about $500,000 worth of knit animal toppers every year. If you sell them for ten dollars wholesale, that is 50,000 pieces that you would have to sell each and every year (which is around 200 each day, assuming a typical business workweek) to make that $50,000 salary. In many hobby niches, this is completely unattainable or at least highly challenging (as I imagine it might be with knit animal toppers for golf clubs).

Another problem is that hobbies are all about *your* likes and wants, and businesses are all about your customers' likes and wants. This is an especially hard transition for a lot of creative hobbyists to make. You may love designing classy fashion and are appalled at tacky outfits. As a hobbyist, if someone wants you to make a pair of orange and purple polka-dotted, bell-bottom jeans, you can easily say no. But if you are a business

owner, passing on the job may cost you a customer, which you may not be able to afford. As a business owner, what matters most is what your customers want because they are the ones paying you.

As mentioned in previous chapters, when you start a business, you actually spend a small portion of the time doing what it is you love to do. If you love teaching dance and want to open a dance studio, you don't get to teach dance all day. You have to find customers, collect payment, find other employees, manage paperwork, take daily phone calls from Joey's mom during which you continually explain that her son is not the next Mikhail Baryshnikov, keep the studio clean, do your accounting, and a whole host of other things. If you are really convinced that you love your hobby and want to do something related to it each and every day, you may be better served getting a job in the same industry. This way, you can entertain your passion without the risk of having to create a sustainable business yourself.

The "Jobbie" Phenomenon

When hobbyists want to make money from their hobby, often they end up with what I call a "jobbie." A jobbie is a hobby disguised as a business or a career. This happens because, as noted, someone decides to make a product or offer a service associated with a hobby. Or, they have a pursuit in an area that they love that doesn't really make them a full salary. My litmus test is that if you are pursuing the endeavor full time and are not making in profit —not sales—the minimum wage (currently $7.25 per hour at the federal level, higher in some states) on an hourly basis and have no real, credible plans to do so, you have a jobbie. Additionally, if you are not pursuing your endeavor on a full-time basis, and are rather dabbling and making some cash on the side, you also have a jobbie.

Jobbies tend to disproportionately affect certain groups, such as stay-at-home moms, creative types, recent college graduates, and good-old dreamers. There is nothing wrong with a jobbie inherently. It is actually *great* if you can make a bit of extra money from your hobby or can support your hobby, instead of having a hobby that just sucks up your money with nothing to show for it except for some fond memories. Just be realistic

about it and know what it is. Make sure that you are not dependent on the jobbie as a source of income. You are not going to do yourself any favors by pretending that you are starting a business that ultimately goes nowhere because it didn't have the foundation to be a business. Also, when you have a jobbie, you can sucker yourself into buying crazy amounts of inventory, spending an outrageous sum on a high-end website, and costing yourself a lot of money with delusions about your jobbie's potential. Jobbyists sometimes dream that they will make huge sums of money from their side business. If you think that you are going to make a ton of money, create a real business plan, complete with financial statements and reasonable assumptions, and then evaluate whether it is a bona fide business opportunity or a jobbie.

You can also delay making real money by kidding yourself that this jobbie is actually going to become a full-blown business. Sometimes that is the point of a jobbie—a crutch to fall on so that you don't have to get a real job. Just be honest with yourself, even if you aren't with those around you.

That being said, a jobbie may actually be a perfect alternative to starting a real business. If you can pursue your passion and make a bit of side money, you may be able to satisfy your personal wants and needs without taking on an inordinate amount of risk (again, assuming you are cognizant that you are starting a jobbie and not investing at the same levels that you would for a bona fide business).

A jobbie can also be a good stepping stone for you if you are evaluating a business down the road. It will allow you to test out interest in your products and services on a small scale and see if you can maintain your passion for the opportunity (and your customers) before you quit your day job. You just need to make sure that if you are going to move your jobbie into a bona fide business, that you evaluate the scope of that undertaking with a thorough and honest assessment.

A JOBBIE CAN ALSO BE A GOOD STEPPING STONE FOR YOU IF YOU ARE EVALUATING A BUSINESS DOWN THE ROAD. IT WILL ALLOW YOU TO TEST OUT INTEREST IN YOUR PRODUCTS AND SERVICES ON A SMALL SCALE AND SEE IF YOU CAN MAINTAIN YOUR PASSION FOR

THE OPPORTUNITY (AND YOUR CUSTOMERS) BEFORE YOU QUIT YOUR DAY JOB.

I urge you to be very cautious about assuming that you can turn your leisure-time passion into a true business that will provide an ample reward to be worth the risk. In most cases, the risk/ reward balance won't be there. If it isn't, don't quit your day job; just look forward to your free time where you can pursue your hobby and feel fortunate that you have the balance in your life to have free time to pursue a passion. If you can make a jobbie out of your hobby, then more power to you, but don't get delusions of grandeur and think that a windfall is around the corner without some additional in-depth evaluation.

EXERCISE 4

TARGET FOCUS—MOTIVATIONS:
Should You Have a Hobby or a Jobbie?

If wanting to pursue one of your hobbies for a living is one of your motivating factors, write down the answers to the following questions:

1. What are the benefits of separating your hobby from your job?
2. How would you feel if you were no longer able to pursue your hobby in your free time?
3. In relation to your hobby, are you willing to put your customers' needs before your own?
4. Can you create a jobbie?
    - If so, what is the maximum investment you want to risk to make some money on the side from your hobby?
    - How might this serve you better than creating a job-business or business?

- Could a jobbie serve as a starting point to evaluate whether there is a legitimate and robust business model in the area of your hobby? If so, how?

Evaluate these answers to decide: (a) if you want to pursue any money-making strategy from your hobby at all and (b) if yes, whether you would be better served with a jobbie than a true business?

9

You Will Still Have to Work with People

SOMETIMES, WANTING TO LEAVE YOUR JOB and start a business stems not just from escaping a particular boss or set of co-workers or even from fantasies of being in charge. Sometimes—and this happens more frequently than you might imagine—it is that you don't like to work with other people in general. You are a loner, or prefer to be a solo artist, but businesses don't work when only one person is involved.

I can truly appreciate that it is difficult to work with other people. People, especially ones that you are compelled to work with day in and day out, can be really annoying. They can smell funky, talk too loudly, do poor work or hang around your office when you are busy. However, people are part of life, and if you want to earn a living, whether at someone else's company or your own, people are going to be involved in some way, shape, or form.

I hope that one of the lessons that this book has already impressed upon you is that customers are the single-most-important asset of your business. If you have no paying customers, you cannot have a business. If you have customers, even if you don't have anything to sell, you can find a way to make money; you can beg for or borrow someone else's goods and services to sell if you have customers. Having no customers, however, is the worst fate possible. You may have the best services or goods, a great place of business, snappy marketing materials, smart employees, and more, but if you have no paying customers, it makes no difference; you will not make any money, and your business will fail.

The last time I checked, those with the ability to pay for goods and services are classified as people. Even if you work with animals or plants, their humans are the real customers who pay you in the end. Until cats, dogs, and trees step up and get jobs so that they can become paying customers, I see no way around having your customers be people.

Since your customers are people, you by definition as an entrepreneur need to work with people. You need to work with them closely, possibly more closely than you did when you worked in your previous job, because these customers decide whether or not you make money and cash a paycheck. You need to sell these people your goods and services, you need to convince them to hire your firm or continue to patronize your place of business, and lucky you—you have to make sure they pay in full and on time. There is definitely a lot of people contact in the customer realm. Even if the product or service that your business sells isn't peopleoriented (such as writing computer code), someone needs to hire you and your company, and someone needs to pay you; if not, you don't have a business. Those "someones" are people, and important people at that.

The same goes for other aspects of the business. If you take money from investors, banks, or other lending institutions, those are staffed by people. You will need to work with them to make sure the business is growing and succeeding, and if it isn't, you are going to be seeing and hearing a lot from those people.

You will likely need employees at some point if you are going to grow, and while there have been some promising developments in robot technology, it isn't quite optimized yet, so you are going to have to hire—gasp—people!

You will require professional services for your business. You will have a person as your lawyer, another person as your accountant, and you will have to hire people for any other services you require, from technology to marketing to janitorial services. Your landlord is going to be a person. If you sell a product, your vendors or suppliers are going to be people that have people working for them.

So actually, you have probably increased the number of people you have to work with daily exponentially just by making the decision to start your own business. If your main motivation to start a business is to not work with people, or at least minimize the number of people you work with, you are looking in the wrong direction. As I recently told an entrepreneur for whom I performed a FIRED-UP entrepreneur assessment, if you don't like people that much, there is probably a much easier, more cost-efficient solution to your problem. Go to your current boss and ask for an office with a door you can close to keep people from bothering you at work. Or, see if

you can negotiate to telecommute from home one or more days a week so that you have some physical separation from the people. Those quick fixes will be more effective for your problem, with a lot less risk, than going the entrepreneurial route.

> IF YOUR MAIN MOTIVATION TO START A BUSINESS IS TO NOT WORK WITH PEOPLE, OR AT LEAST MINIMIZE THE NUMBER OF PEOPLE YOU WORK WITH, YOU ARE LOOKING IN THE WRONG DIRECTION.

Okay, maybe you misspoke. You can handle working with people, but you don't like to work in teams. If you can't work in a team, how are you going to manage employees (and foster teamwork amongst them)? Maybe you can work with people if you pick the best employees. Well, you can only pick your employees from amongst those who apply, and if you aren't paying a primo salary, the best employees are probably not going to apply.

If you do find someone you can tolerate, there is no guarantee that they will like you or your company, or want to work for you for an extended period of time. Whatever people-issue you have in your job, it will become worse and more intense when you're the boss. Plus, these employees will have a hand in deciding your business's success or failure, something on which you have a whole lot riding. To minimize the people interaction, go with a job over a business any day.

EXERCISE 5

TARGET FOCUS—MOTIVATIONS:
Working with (or without) Others

Think about what it is you don't like about your current interactions at work. Write down:

1. The names of the people who cause you issues, and
2. What those specific issues are.

Looking at this list, would these issues improve or be removed if:

- you took on another role at your existing company?
- you took a job at another company?
- you started a business?

Now evaluate:

- if each issue is related specifically to a person or if there really is another issue that is causing your stress or unhappiness;
- if there is a way for you to improve that issue without taking on a lot of risk; and
- if you need to start a business to solve your issue—and if so, evaluate if the risk of starting a business is worth solving that issue.

You may want to ask a trusted source if you need objective feedback.

Oh, and be sure to cross the "I don't want to work with people" reason off your baseline motivation list if it is there!

2 B

Assessing Your Timing

Sometimes, the issue of entrepreneurship compatibility is not so much that it is not right for you but rather that it is not right for you *right now*. Timing is a key ingredient to success, and several of the areas in my five-step FIRED-UP entrepreneurship assessment deal specifically with timing. Some people who would otherwise be great at running their own business shouldn't open a business today because the timing is off for them.

While there is probably never the perfect time to start a business, there are quite clearly some less-than-ideal times. There are also many things you can do to stack the odds in your favor. While you will still have to successfully execute your business plan, and it doesn't 100 percent

guarantee success, being *prepared* will certainly improve your chances exponentially.

Factors such as experience, skills, and personal responsibilities are all very dynamic. So is the ability to learn functional areas of business that you may be less familiar with. Your learning curve and your personal circumstances will change over time, so the purpose of the following chapters is to help you evaluate if now is a good time for you to pursue a business endeavor or if there are things that you can do to shift the risk/reward proposition toward a direction that is more favorable in your Entrepreneur Equation.

10

Your Personal Responsibilities: a.k.a. You Can't Make Two Things Your Number One Priority

ONE OF THE MOST DYNAMIC FACTORS in your life is who and what you are responsible for at different points in time. That's why the "R" in FIRED-UP stands for *Responsibilities*, meaning your timing as it relates to your current priorities. Responsibilities are something that entrepreneurs often don't give enough weight to when making the decision to start a business. It is also an area where you really need to be honest with yourself. No blowing smoke up your own behind, okay?

Following are a couple of questions that you should answer honestly, or else you will be doing yourself (and those around you) a disservice. As you respond to these questions, including the subquestions underneath each, it will help you evaluate your responsibilities. In doing so, remember that two things can't simultaneously be your number one priority.

Two Questions to Ask Yourself

1. Am I ready and prepared for, and wanting the responsibility of owning a business?

Having a business is like having a child (one that never fully grows up). You are the one responsible for it, no matter what happens. This is something that is going to take a lot of your money, time, and "blood, sweat, and tears." When something goes wrong, you need to fix it. When the security system is tripped at 3 a.m., you have to go to the store and attend to it. When a customer has an issue, you need to deal with it. If responsibility isn't something you are great with (think: consistently forgetting to water the plants, take out the garbage, or pay your bills on

time, multiplied by a factor of a hundred), then business ownership is realistically not a good fit for you.

To make your business grow, you need to nurture it. You need to dedicate a whole truckload of time, money, and effort to it. Out of all the things you have going on in your life—including your family and friends, hobbies, and other pursuits—is your business going to be the most important to you? Are you ready to be responsible and make your business a top priority in your life?

2. Who am I responsible for?

It is hard to answer these questions on priorities without taking a look at who you are responsible for. Often you aren't alone, so you need to determine who else feels the impact of your decisions, such as your partner, spouse, and kids. Not only are they affected by your monetary decisions, these individuals are competing for your time and attention. If you have a family, you need to figure out what happens financially if you can't provide for their needs (or more likely their wants) because your money is tied up trying to make the business a success. You are not only risking your assets and future, you are also risking theirs. You may be willing to sacrifice now for a potential payoff later, but are they?

There is often more on the line than just your salary, which brings up a lot of important questions that relate not just to you, but to your family as well, such as:

- What if you lose your entire initial investment?
- What if you use your house as collateral or to guarantee a loan and then lose your house?
- Will starting your business mean you have to use your child's education fund? If so, is that fair to your child?
- What happens to your family in the worst-case scenario?

We all want to think that we are going to win, but what happens if you lose? You need to be as realistic about the downside as you are optimistic about the upside, especially pertaining to how that downside impacts those you are responsible for.

Sometimes starting and growing a business doesn't jeopardize your entire savings, but rather it requires smaller sacrifices and change from your

family. A lot of people don't like change, especially when it is preventable. Your family may be accustomed to a certain lifestyle—new clothes, yearly trips, trading in their cars every few years for an upgrade—that you will no longer be able to afford. If things go awry, the financial impact could have an emotional impact on your family.

What if you have to tell your child that he can't go on his class trip because you need the money to buy a new computer for your business? How will that make you feel? How will that make him feel? What importance do you place on that impact? Or perhaps your wife now has to drive a station wagon with wood paneling circa *The Brady Bunch* instead of a shiny new Lexus SUV. Is she going to be happy about that, and if not, how does that affect the whole family? Can you be happy if your family isn't?

There are other effects on you and your stakeholders that happen when you have to prioritize your business. When you have to take care of your business, even if the driving force behind it is to provide for your family, it usually means more time spent away from family. Is your significant other strong and supportive enough to be able to run the household—without resentment—while you focus on your business? How will your kid feel when you miss every one of his baseball games, or can't attend her ballet recital because you are focusing on this business? Time is a more precious resource than money, and while money can accumulate over time, our available time just keeps decreasing; there is no way around this.

You need to ask yourself honestly if now is the right time to start a business given your other responsibilities, priorities, and stakeholders in your life. While I am not suggesting that you let anyone hold you back, you do need to know who else is a stakeholder. And I am not suggesting fake responsibilities like the mom who wants her son to be a doctor instead of a Jani-King franchisee. That is just your mom putting her dreams on you; you are not responsible for that. I am talking about your partner, spouse, and children. Or maybe an ill parent that needs you to care for her. These are real stakeholders.

Not Right Now versus Never

Realizing that your current responsibilities and priorities make starting a business ill-advised right now does not necessarily mean that entrepreneurship is never right for you. It may simply mean that it's not right for you right now. It is a whole lot easier to bet the farm when you are the only person who owns the farm, or if the farm isn't required to pay for your child's education or your mother's chemotherapy. When you evaluate your timing for entrepreneurship, think of what is at stake for the other stakeholders in your life and evaluate the risk and reward from their perspective as well as yours. As bad as you will feel if you lose the farm, you will feel even worse if your child hates you or your wife divorces you for screwing up their futures.

PERSONAL BRAINSTORM

TARGET FOCUS—TIMING:
Evaluating Your Stakeholders

Do you have family members who are stakeholders in your decision to start a business? If so, reflect on what lifestyle changes and other sacrifices your family will have to make if you start a business. Once you have identified those areas, you should talk to them openly and candidly to find out how they feel about those possibilities. Use this information to evaluate if now is a good time for you to start the business, or if putting it off by several years can create a positive impact and/or alleviate some downside risk for you.

11

Wanting to Run before You Walk

THE PHILOSOPHER Friedrich Nietzsche said, “He who would learn to fly one day must first learn to stand and walk and run and climb and dance; one cannot fly into flying.”

Not that I read Nietzsche. I actually heard it quoted by Eddie Murphy’s character in the 1980s cult classic *Coming to America* (a great source for philosophy, I know). Regardless of where I initially heard it, it makes a valid point that applies to many attitudes on business.

Most people want to go right to flying or, at least, from walking to flying. They see what someone else is doing, and they do not process the amount of experience they have. They don’t think about all of the time and dedication it took to perfect the craft.

Getting to the “Big Leagues” Takes Practice

If you know anything about me, you probably know how much I love the National Football League, in part because of the mastery required by its players. The world-class NFL players don’t just become stars overnight. Many started playing in Pop Warner leagues while in elementary school. The majority of them played high school and/or college football or some equivalent foreign league. Each of them practiced for hours on end to improve their skills.

Then, even after they make the NFL, the best players continue to hone their craft. They still practice multiple times a week. They review their competition by watching game films, come up with strategies for future games, and complete drills on blocking and tackling, all of which they have done for years.

They have experience gained from years of practice, and which they continue to refine. People can't just wake up one day, decide to play in the NFL, and suit up the following Sunday. They would get creamed.

The same goes for business. You can't just wake up one day and fall into an industry or a business in which you have no experience and expect to be an immediate star. You will get creamed.

I am sure NFL players would have loved skipping the hours on the practice gridiron doing high-knee drills through tires, running laps, lifting weights, and pushing blocking sleds. However, that is part of the foundation required to get to the next level. You need to do the same in the realm of business. This means learning both the industry and the aspects of business you may not be as familiar with, such as financial statements and accounting, before you are ready for the big leagues—starting a business on your own.

Experience Is Different From Business Experience

When you gain experience, you need to learn it from the business perspective. Just because you are familiar with widgets doesn't mean you would know how to run a widget business. If you collect model cars, you may know every model that was produced in the last ten years, but that doesn't mean you know how to manufacture them. That doesn't mean you could negotiate with vendors, manage retail accounts, and build a sales force to sell them. You may have gotten your hair cut every two months for your entire life, but that doesn't mean you know how to run a beauty salon. When you are familiar with something, you may have a perspective on it, but that does not equate to business experience.

Experience is not about age; it is about relatable skills, practice, and relevant knowledge. I have known college graduates that had been working in a given industry since they were legally able to do so, and I also know forty year olds that have as much experience in their industry of choice as a goldfish. That is okay. The great thing about experience is that you can always build it; you just need to put in the time and effort.

Take, for example, New York-based fashion designer Jason Wu, a client and friend of mine. Jason gained national recognition in 2009 when the new First Lady, Michelle Obama, chose one of his stunning one-ofa-kind gowns to wear to a slew of inaugural balls. He was only twenty-six at the time. You may look at this twenty-six-year-old who designed a white chiffon dress that now resides in the Smithsonian Institution and label him an overnight sensation. However, he is far from it.

Jason has been working in the fashion industry since he was sixteen. He started out designing miniature couture for fashion dolls, which caught the eye of collectible fashion doll manufacturer Integrity Toys. Jason was first brought on board to design for a specific line of dolls, and his talent was immediately evident. Jason proactively sought exposure to the other aspects of the business. He learned more about the business, and in short order, was promoted to the position of company creative director, a post he still holds today.

Knowing that he eventually wanted to design people-sized fashion, for women in particular, Jason enrolled in Parsons The New School for Design (which as any *Project Runway* fan knows, is the prestigious fashion school in New York where Tim Gunn was on staff). He knew that, in addition to honing his design skills, he needed to learn more about the business. To accomplish that, Jason pursued an internship with Narciso Rodriguez. About his internship experience, Jason said, “It was a small environment and I was with one other intern…and I got to see a little bit more of the industry at work. I learned how a design company ran, which I had never seen before.”

This experience gave him the reality check about what it meant to be a designer. “I wanted to design,” he said. “I didn’t know until I interned how much went into producing a show and selling to fashion buyers. That was very important for me to see and understand.” It is also interesting to note that the other intern with Jason at Narciso Rodriguez decided after seeing the business side that he just wanted to focus on design, and so rather than starting a business, he went to work in the industry.

By the age of twenty-three, Jason was ready to become an entrepreneur. He took his experience in both the industry and business and started his eponymous clothing line for women. He won the Fashion Group International’s Rising Star Award and was a finalist for the 2008

Vogue/CFDA Fashion Fund. So, while it is easy to see why some who don't know him view Jason at age twenty-six as an overnight sensation, that "overnight sensation" actually had ten years of focused business experience behind him.

BY SEEING THE INNER WORKINGS OF A BUSINESS, YOU CAN GET MORE INFORMATION ON WHETHER YOU WOULD EVEN WANT TO OWN A BUSINESS. YOU WILL WORK WITH MANAGERS YOU WILL WANT TO EMULATE, AS WELL AS OTHER CO-WORKERS WHOSE BUSINESS STYLE YOU WILL WANT TO MAKE SURE YOU NEVER FOLLOW.

Many college students study entrepreneurship with the hopes of starting a company. However, most college graduates don't have the business experience, as Jason Wu did, to successfully be able to do so. That is why even though financially your risks may be at an all-time low, it is still sometimes advisable to take your first steps in the real world with a job where you can learn on someone else's dime. Jason Wu started with a collectible fashion doll company and then interned for a well-known women's fashion house. Think of it as the continuation of your college education, but this time, instead of you paying for it, they pay you. (It's much better that way, don't you think?)

Every experience you encounter, positive and negative, will give you a richer toolbox from which to work. By seeing the inner workings of a business, you can get more information on whether you would even want to own a business. You will work with managers you will want to emulate, as well as other co-workers whose business style you will want to make sure you never follow.

Sometimes You Have to Be Willing to Go Backward to Move Forward

In addition to business experience, you also need to garner industry experience. I always advocate that if you want to start a business and you haven't had significant experience in that industry, you need to learn that industry before you are qualified to start a business in that field. If you have been working in a different industry, this can be especially difficult because ego gets in the way. Why should you, the MBA-holding Mensa member, take a job as a busboy in a restaurant alongside people who haven't attended college and may not even speak English? Because you don't know anything about restaurants and you are about to invest hundreds of thousands of dollars to start one, that's why!

You are not taking a low-paying restaurant job as a means to earn a wage. You don't intend to stay in that position; however, you need the relevant experience. You need to learn the business, and it is great that you can have an opportunity to learn while actually getting paid.

This may be hard to swallow after spending six figures on an advanced degree, or working many years in another industry, but you need to be willing to take two steps backward today to find out if you will be able to take twenty-five steps forward tomorrow. While you are at the restaurant, you can evaluate if you even like the industry (you will likely find it is more fun to eat spaghetti than to serve it every day). See if you can get yourself promoted to manager and do a good job at that position. If you can't make manager, or do a lousy job as manager in someone else's restaurant, why would you think you should invest in starting a restaurant business of your own?

Not to mention that if you do start your own restaurant, you need to know how to perform every job, because if someone doesn't show up one day and you are short on staff, guess who is going to have to fill in? You guessed it —you. It is also easier to manage your employees if you understand their jobs from their perspective, which you can only do if you have performed those jobs. That is why many major restaurant chains mandate that their managers work in each job function in the restaurant for a few weeks as part of the management-training program.

The Training Wheels Come Off *after* You Practice

If you really want to lay the most solid foundation and take on additional risk, I advocate getting help and going the training wheels route. When you first learn to ride a bike, you use training wheels to get the feel of the bike and to boost your confidence. After you practice and gain experience, then off they come.

Potential entrepreneurs don't like this; they always want to run before they walk. They want to ride without the training wheels. What happens then? They crash to the ground (and if they aren't wearing a helmet, smash their heads open). This is because they were too stubborn or had too big of an ego (or perhaps were just too stupid or lazy) to try training wheels first. In a similar vein, it just makes good sense to take golf lessons and practice your swings, drives, and putts before you get out onto the green; or to try out the bunny hill the first time you ski and then practice on more and more difficult terrain before you head over to the black diamond trail. Remember the Bill Gates story from chapter 3? He focused on milestones along his path; he didn't just "try to fly" on day one.

If you are serious about starting a business and you are going to sacrifice for it, investing your own capital, time, and effort, then you want to have the best chances for success. So, get the relevant experience first so that you have the building blocks to make your business successful. Don't tell yourself that you are too old or too powerful to learn. The school of life is about nonstop learning. Even in business, there is continuing education as you grow, so stop looking for the shortcuts. If you are looking for a shortcut, look elsewhere because there are none in entrepreneurship.

EXERCISE 6

TARGET FOCUS—TIMING:
Evaluating Your Experience

For each new business venture you consider, complete the following exercise.

1. Divide a piece of paper into two columns.
2. In the left column, write all of your relevant experience related to (a) your potential new business venture, as well as (b) business ownership in general.

3. In the right column, write down all of the ways you could enhance your relevant experience. Some suggestions include:
    - Interviewing potential customers
    - Shadowing a business owner in your industry
    - Taking on an internship at a direct or indirect competitor
    - Taking on one or more jobs at a similar company and seeing if you do them well
    - Building prototypes
    - Getting tutored in functional areas like accounting, marketing, and contracts
4. Think about how pursuing each of the items on the right side could add to your experience.
5. If you completed each item in your right-hand column, would that give you a new item for your left-hand column?
6. How would pursuing any or all of the items in the right column materially enhance your prospects for success?

You will use this evaluation to further assess your Entrepreneur Equation and decide whether you should start the given business now or if you would be better served by stacking the odds further in your favor by gaining additional experience. This is especially critical if you do not have experience in the industry you are considering, or if you have limited experience and understanding of all of the areas you will be responsible for in your business.

12

When the Heck Are You Going to Have Time to Start a Business?

THE ENTREPRENEURSHIP BUG hits a lot of people while they are at work. We have already touched on the issues of incompetent coworkers and unpleasant office surroundings, as well as actually having to perform something called *work*—all of which make people daydream for a way out. However, never forget that starting or buying a business also requires work. *A lot* of work.

There is a metric ton of work involved in exploring a business model and laying the foundation of a business. You have to research your target customers and the need for your products or services. You have to put together business plans and other materials. You have to do more research on vendors or office locations. You have to build prototypes, write initial code, or achieve early milestones. You have to raise capital. You have to put together a marketing plan. You have to create a corporate structure and much, much more. When you have a job and are working eight- to nine-hour days, and add in commuting, lunch and potty breaks, having dinner, saying a few words to your significant other (and possibly kids), watching *American Idol* and getting some sleep, there isn't a whole lot of free time to spend on starting a business.

If you are working while trying to start a business in your free time, you will either take years to get all the work done (which, by the time you get it done, half the research will be out-of-date) or do a crappy job (i.e., take shortcuts and not do the work), both of which will set you up for failure.

On the other hand, quitting your job and forgoing your weekly paycheck to explore entrepreneurship takes nerve, risk tolerance, and financial security. Many aspiring entrepreneurs can't fathom doing that either (another red flag is waving here, folks … if you are too risk-averse to go

without a paycheck for several months, quitting your day job is not advisable).

The (Legal) Problem with Double-Dipping

Some people try to get clever and figure out a way to double-dip and do both endeavors at the same time. In plain language, that means that some people try to lay all of the groundwork for their new business while they are employed. I love this idea in theory; however, there may be a couple of issues with this master plan.

First are the moral issues. Your employer is paying you to spend your work day thinking and working for them. A lot of people feel entitled at their jobs. “I have worked here for years,” they say. “They owe it to me.” No, your company actually pays you cash, and perhaps gives you benefits, in exchange for your work. That is all they owe you. It is a fair trade, and you can leave if you aren’t satisfied with it. It isn’t appropriate to use their time, resources, and assets to work on anything other than what it is they are paying you to work on. And if you do it on your lunch break or after hours, you shouldn’t be using their resources; their resources should be used to create value for their shareholders, not you.

Some people don’t care about the ethics. If the moral argument doesn’t sway you, then you may be more persuaded by the legal argument. If you are working for another company, there are actual legal reasons why you can’t be working on your new business. First is that pesky paperwork that you may have been given when you first started your job. You may not have read the paperwork, but often it says something along the lines of anything that you create while working for the company, using their resources or otherwise, belongs to the company. That means *anything*. Even if you haven’t signed that type of paperwork, companies can make a strong legal claim that if you wrote a business plan using their computers and printed it out with their paper, ink, and printers, made phone calls to potential suppliers using their phones and phone service, or researched the idea using their resources, while they were paying you, they own it.

There is a great high-profile legal case that perfectly illustrates this issue. Carter Bryant was employed by the toymaker, Mattel, in the company's collector Barbie doll division. He was a well-known designer who designed many of Mattel's high-profile collectibles. During his lunch breaks, he started developing and sketching the foundation for a new doll line. These dolls were very different from Barbie; they had an exaggerated, cartoonish appearance. Their clothing had an urban street vibe and reflected more of what modern girls were wearing.

Mr. Bryant presented his concept to the Mattel team, which wasn't interested. For whatever reason, it wasn't a fit for Mattel at that time, and so the team chose not to pursue it. Carter was unfazed by Mattel's rejection and decided he would create a prototype of the dolls on his own time. After hours, he used some of the people he knew in the firm to create some basic mock-ups of what the dolls would look like. When he was satisfied that he had enough groundwork laid, he took the doll concept to a smaller toy company named MGA.

He told MGA that he had designed the dolls in his free time and on his own accord. MGA agreed to partner with him to make and distribute the dolls. The Bratz line was born.

Within a couple of years, the Bratz had become a billion-plus-dollar business. It was one of the greatest successes in the toy industry's history. After Bratz saturated the market and ate into Barbie's profits, Mattel filed a lawsuit against Carter Bryant and MGA saying that it owned the Bratz dolls because they were developed when Carter was working at Mattel. Carter and MGA rejected that notion because the dolls were developed in his free time.

The case went to trial and the courts agreed with Mattel. Mattel owned the Bratz doll line. Despite the fact that the entire commercial development of the line—including the manufacturing, branding, sales, distribution, etc.—happened after Carter Bryant left Mattel and on MGA's dime, and the line was merely in concept form before he left the firm, he had conceived of the idea and the base of the prototypes while he was still employed there, giving Mattel ownership. While parts of this ruling were overturned on appeal, and as of press time a retrial date has been set, it is estimated that more than a hundred million dollars in legal fees have been spent litigating this case thus far.

So, if you start a business which in any way was conceived during your employment elsewhere and/or used any of that employer's resources, even just to lay the foundation, it may not belong to you. If you enjoy any success, you may be risking a major lawsuit. Mattel waited until the Bratz line had become very successful to file its claim. The more success you have, the more likely someone will come searching for pay dirt.

It is always better to test out a business before you take a full leap, but you must be careful. If you can't work on the business while you are at work and you have limited free time, when will you have time to start your business?

PERSONAL BRAINSTORM

TARGET FOCUS—TIMING:
Starting a Business While You Are Employed

If you are currently employed, or have recently left a position, ask yourself the following questions:

- Do you have paperwork that you signed with your current employer preventing you from competing with the business and/or soliciting customers?
- Does your company have a policy that everything developed during your tenure belongs to the company?
- Have you used any of your employer's resources in any way to research or lay the groundwork for your business?
- Are you planning to solicit any existing customers of your employer? How about any prospects of your employer?

If your answer to any of the above questions is "yes," you may have some serious legal restrictions on starting a new business.

Also ask yourself if you are better off leaving your position before you start your business. You may be able to take a part-time job with fewer restrictions in an unrelated industry to make some money while you evaluate your business opportunity. You

should consult a lawyer on both points for guidance on your specific set of circumstances to find out what risks there are in starting your business on the side while employed.

13

Often It Is Who You Know versus What You Know

WHEN YOU WERE GROWING UP, were you ever roped into doing fund-raisers under the guise that it was entrepreneurial? Maybe you sold Girl Scout cookies or candy bars for your basketball team. Or perhaps you were tapped to peddle wrapping paper for the student council or pizzas to help build a new school library. It seemed like every organization had some fund-raising product for us to peddle.

The fund-raising groups tried to sweeten the deal by offering prizes. Whoever sold the most of the given product got something coveted by kids like a new bike or an AM/FM radio (today I guess it would be an iPod, but, hey, that was what they gave when I was a kid).

If you considered yourself entrepreneurial, you were probably excited to flex your selling muscles. You traipsed all over the neighborhood selling your fund-raising wares, sure you were going to sell the most and get a new bike.

After a couple of weeks of working every relative and neighbor you knew (and several you didn't), you had sold an impressive several hundred boxes of said product—cookies, frozen pizzas, candy bars, sheets of wrapping paper—whatever. Your win was as good as gold.

Then, you got to school and found out that Susie sold five times the amount you did, not because she was a great salesperson with an entrepreneurial spirit, but because she had a wealthy family and her dad was the managing partner at a several-hundred-person law firm and forced each of his underlings to buy twenty boxes of cookies. The dad basically bought the win, the bragging rights, and the bike (which Susie didn't even need because she already had two).

Business is often like that. It is sometimes not what you know, but who you know.

If you don't know Jack, Bo, or anyone else that matters, you may very well be screwed, or at least start with a major disadvantage. The first place that you lose out is in trying to fund your business. If you are an entrepreneur that needs capital, not knowing people with capital is going to make it very difficult for you to get your hands on some.

Investors often invest in a business because they know you or because their friends are doing it. So, if nobody who knows you has the ability to throw some funding your way, there aren't going to be a bunch of others following their lead. This reality becomes a frustrating aspect of starting a business.

If you have a more ambitious business plan, you will be seeking professional capital. Without the endorsement of someone who has connections, you will not likely make it through the sea of business plans that the investors receive each year. They, too, invest in management, and one of their first screens is to see if anyone they trust and respect can vouch for the entrepreneur (or entrepreneurs) involved. That screening process, coupled with the sheer number of inquiries that they receive each year, puts you at an immediate disadvantage in trying to obtain significant financing.

Who *Do* You Know?

The connections (or lack of connections) issue continues to rear its ugly head as you progress in establishing your business. You can often get better deals with everyone from suppliers to professional services firms with a solid introduction. Plus, you want to have some reference checks before you partner with a stranger as an important vendor or legal consultant. Not knowing anyone can cause you to pay more for products and services, receive unfavorable business terms, or make it hard to negotiate a deal at all.

Securing customers is predicated on who you know. If you are in the services business or in another business-to-business industry, landing new customers is often dependent upon getting referrals. I have been on both sides of this. I have received many clients through referrals. I have also lost

many engagements because the potential client had a board member with a buddy to whom he wanted to give the business.

My personal worst example of this happened with a company I was courting for a couple of years. I had provided advice and guidance to the company to help prepare them for raising growth capital down the road. As part of the company's preparation for its capital-raising process, it wanted to beef up its board of directors. The management team had a few people in mind, and one of them was a former colleague of mine who was an expert in this particular industry, and who I respected and had previously worked with very closely. I made a personal introduction and provided a formal recommendation to the company to add this person to its board.

My colleague was given a position on the board, and a few months later, when the company was about to engage me and my firm to raise capital for them, this former colleague, who I had recommended formally for his current position with the company, sold me out. He talked the company out of hiring me and my firm in favor of another investment banking firm where his best friend worked.

So, even though I had put forth a ton of effort, built a relationship with this company for more than a year, and knew (and even recommended) the director, I lost the deal (and a $750,000 fee) because someone else was *better* friends with the director.

Connections: When More Is More

The "who you know" thing comes into play all the time. They didn't come up with the "old boys' club" phrase out of thin air. Even if you are in a consumer-oriented business, getting retailers to sell your product, or getting people to recommend your business in the beginning is much more difficult if you don't have a lot of connections, or aren't that keen on using them.

It is the early stages of the business that are the hardest. It is much more difficult to get to the first million in sales than it is to get to the second. It is the first several years and early stages where most businesses struggle and ultimately fail. So, this is the critical time for you to depend on others for assistance.

I know it sucks and creates an unfair disadvantage for the little guy, but it is reality. So, think about what kinds of connections you will need in terms of capital, vendors, professional service providers, customers, and in other aspects of your business. If you don't have any, you may want to make some more friends—preferably wealthy, well-connected ones—before you think about leaving behind your day job.

EXERCISE 7

TARGET FOCUS—TIMING:
Evaluating Your Network

1. Make a list of everyone you know that you think could help you with an aspect of your new business.
2. Put each person into one of three teams:
    - The "A" team being those who would do anything for you.
    - The "B" team being those whom you have a good relationship with but aren't necessarily in your inner circle.
    - The "C" team being those you shook hands with a few times.
3. Next to each name write down each functional area of your business that person could help you with, such as:
    - Raising capital
    - Introductions to potential customers
    - Introductions to vendors
    - Technical skills
    - Introductions to relevant service providers or performing services as a service provider
    - Any other specific areas where you may need help (be sure to list the specific area)
4. Put a star next to anyone you would feel uncomfortable approaching for assistance today.

5. Add to your list any areas/functions where you don’t have any contacts and circle those.
6. If you have a number of stars, assess whether having more time (three months, six months, a year) would help you improve the relationships with any “starred” individuals so that you would feel comfortable asking that person for assistance.
7. If you have a number of circles, these represent holes in your current network. If you had more time, where could you work to supplement your network and fill in those gaps? Would you be able to seek out and build relationships with people to help you with the “circled” areas?

Evaluate whether having extra time to build these additional relationships would make a difference in improving the potential for the success of your business, particularly as you evaluate your Entrepreneur Equation at the end of the book.

14

Money Sicknesses Make for an Unhealthy Business

FOR THIS BOOK to be fully effective, it requires you to have a lot of honest conversations with yourself. Now is time for another one of those honest conversations. You need to ask yourself, “What is my relationship with money?” (This exercise only works if you provide a truthful answer.)

A lot of us—myself included—have really messed-up relationships with money. Understanding our relationship with money is critical because it takes money to start or buy a business and to continue to finance the operation of the business. While you are involved with your new business, you need to be able to support yourself and take care of your responsibilities, and that requires money too. Whoever said that “money makes the world go ’round” wasn’t kidding.

Sometimes when you are in a relationship, it is hard for you to be objective about that relationship. The same goes for your relationship with money. So try to take a step back, or even get some insight from those who know you well, so that you aren’t B.S.-ing yourself when you evaluate your tie to your money, or lack thereof. If you have any of the following issues with money, it is going to be very difficult for you to maximize any new business endeavor.

No Money

This is the easiest money relationship to evaluate. Starting a bona fide business costs money. If you are clever and can barter, borrow, and beg your way into covering a lot of your start-up costs, and have persuaded someone like your parents or a friend to let you live in their basement, or your spouse to support you while you pursue your dream, you may be better

off than most, but not having money is an immediate roadblock to entrepreneurship. Even if you consider franchising, most franchisors require an upfront franchise fee and for you to be able to finance the start-up costs. Additionally, many established franchisors (I recommend working with an established franchisor to get the most out of the franchise route) require a minimum net worth from potential franchisees.

> THE MORE MONEY AN OUTSIDE INVESTOR CONTRIBUTES, THE MORE OWNERSHIP OF THE BUSINESS THEY WILL REQUIRE. IF YOU START GIVING AWAY OWNERSHIP, YOUR BUSINESS BECOMES MORE AND MORE OF A JOB.

The less money you have, the less able you are to start a business. Businesses are risky, and part of the risk is putting your money on the line. Even if you find investors, they will be less likely to put in money unless you are sharing a substantial part of the risk. Moreover, the more money an outside investor contributes, the more ownership of the business they will require. If you start giving away ownership, your business becomes more and more of a job as you have more people to answer to and less personal participation in the upside of the business.

If you have limited cash, bootstrapping (scrappily starting your business without external capital) may be an option for you. You may also be able to raise capital with a working prototype. However, this is going to favor certain industries and types of business. The entrepreneurs behind a new tech business may be able to raise capital with just a working prototype of its new application. The entrepreneur behind a new retail store may have a much more difficult time under these circumstances. You may decide to scale back and start a smaller business because you don’t have much money. But if you go too small, ask yourself how much money you can make from the business and if you can take what you have done and scale it into a larger business opportunity. Based on your answers to those questions, is it worth it?

If you don't have money, you should consider making and saving as much as you can before starting a business. The opportunity will still be there once you have saved up the start-up capital (and if it is not, then it was a fad, not a business, and you dodged a bullet).

Lack of Financial Responsibility

If you can't manage your own finances, then you shouldn't be an entrepreneur trying to manage a business (and implicitly, the business's finances).

Many Americans have lots of debt. If you have debt from credit cards and loans, especially where you are paying a high interest rate, you need to pay that debt down first.

Getting rid of your credit card debt is a no-brainer. You may be paying up to 18 percent per year or more on your credit card balance. You would be thrilled to have an investment that gained 18 percent a year. Another way of looking at this is if you wouldn't take out a major business loan that required you pay 18 percent a year in interest on that loan, then don't do the same on your credit cards. Paying your credit cards off is your best "investment" and should be required before you invest in your own business.

But being responsible with your finances goes much deeper. Financial responsibility is about making good decisions and only buying things when you can afford to do so. If this is not a strong suit for you in your personal life, and if you tend to make bad judgments about your personal expenditures, these issues will be amplified even more for your business. If you can't evaluate what you should and shouldn't spend your capital on without getting into debt, and if you seek immediate gratification from making purchases, you will get yourself into big trouble in your business.

When you start a business, you have to sacrifice. If you are used to having your every whim fulfilled, you will eventually resent the business. Or worse, you will get yourself into a bad debt situation from which you can't escape. Sometimes, it takes years before you can even pull a reasonable salary out of the business while you are funding the business's

inception and early growth. Are you going to be able to pass up the newest iPhone or a luxury vacation because you need to spend your money on the business?

If managing your money is something that you are not good at, that you feel you don't understand, or something that you don't want to deal with, don't start a business, period.

Being "El Cheapo" (a.k.a. Ultra-conservative with Your Money)

The last messed-up relationship with money that I will talk about is one that I suffered from for many years (and relative to what I am worth, maybe still suffer from). To understand it, you have to understand my family. My father was a union electrician, and for most of my life my mother was a stay-at-home mom (before she got a jobbie and before my parents got divorced). My parents moved to an up-and-coming area in the northern Chicago suburbs when I was two years old. My father had gotten married later in life (at least it was considered later in life at that time in the early 1970s; he was 36) and had lived with his mother prior to marrying, so he had saved up a lot of money. My parents were able to buy a nice house in what was then an emerging area called Deerfield.

Fortuitously, Deerfield became one of the most prestigious suburbs in the Chicagoland area. It had—and has—one of the best and most competitive public school systems in the country. My family was surrounded by professionals like lawyers, doctors, accountants, and commodity traders. Since my father had gotten in early, he was able to afford the house, but it was a stretch. He was not, however, able to afford the entire lifestyle of my neighbors.

Worried about the influence of our neighbors, our father set out to teach my sister and me the value of a dollar. However, he went a bit overboard and made us completely afraid of spending a dime. There was always the requirement to save for fear that if we spent our money, we wouldn't have any later in life and we would be destined to live in a box in downtown Chicago under Lower Wacker Drive (Chicago's version of "living in a van

down by the river," as Chris Farley made famous in his *Saturday Night Live* "Matt Foley" sketches).

This fear followed me through college (where it intensified when I racked up $40,000 in college loan debt) to my first job out of college in investment banking. When I graduated, I took the cheapest apartment I could find in a nice neighborhood in San Francisco; a studio apartment that was only about four hundred square feet. I was fortunate to have landed a lucrative job and was able to pay my college loans off within my first full year after school.

My savings were starting to accumulate, and after several years, I had a very healthy bank account. However, I was cautious about every single purchase. I didn't have any concept of balancing saving money with actually enjoying it. I went to dinner and would never order anything expensive off the menu. Ordering alcohol at a restaurant or a bar was a no-no because it was way too costly. While my colleagues were shopping at Saks Fifth Avenue, I was still trekking over to T.J. Maxx (which, frankly I still do, because I love getting the "Maxx for the Minimum").

It took me years, and lots of dollars in the bank, to relax to the point where I could actually enjoy a nice dinner out without forgoing the appetizer or dessert because it was too expensive, or buy a pair of shoes that cost more than $39.99. With this kind of money sickness, it was hard for me to invest in a meaningful way in anything early on in my career. Even though I had the financial capability to take the risk, I simply didn't have the stomach for it.

I have managed to get better control of my money sickness over time. As I evaluated starting businesses and investing in other people's businesses, I became more comfortable with certain types of investment risk. My risk taking is typically based on very calculated, educated decisions vetted over long periods of due diligence, which I think is a sound strategy and one I am very comfortable with. It is the Warren Buffett way. In fact, when the 2008 financial crisis hit, I was not affected as much as many of my peers because of my more calculated financial approach.

That being said, if you can relate to having a similar type of money sickness, or if you have any other financial dysfunctions, you need to take extra time to evaluate the long-term implications of any investment you are going to make (as well as the reality that you may not make much, if any,

money for a while) and decide if you can emotionally handle the financial relationship you will be required to have as a business owner. If not, well, you probably know how this sentence should end.

PERSONAL BRAINSTORM

TARGET FOCUS—TIMING:
Creating Value Before You Take On Risk (No Money)

What can you bootstrap, barter, or otherwise finagle in starting up your business to get to a point where you have begun to create some significant value? The more value you create through achieving milestones, the more that value will help you to minimize some of the business risks.

EXERCISE 8

TARGET FOCUS—TIMING:
Assessing Your Financial Situation and Responsibility
(or Lack of Financial Responsibility)

Write down the answers to the following questions:

1. Do you have debt?
2. If you have debt, how much debt do you have?
3. If you have debt, is it from investing activities (such as buying a house or getting an education) or spending activities (such as credit card purchases, car loans, etc.)?
   If you have a large amount of debt—other than in your mortgage, assuming you can still pay the mortgage while you invest in your business—seriously consider paying off the debt before taking on an investment in a business.
4. Do you consider yourself financially responsible?

5. Do you want to sacrifice your lifestyle to invest in the business?

If your answers to four and/or five are "no," I hope you don't need me to tell you not to start a business right now.

EXERCISE 9

TARGET FOCUS—TIMING:
Assessing Your Financial Risk Tolerance (El Cheapo)

Write down your answers to the following questions:

1. How do you feel about financial risk?
2. How much of a dollar or percentage return will you require to risk your salary and/or savings (or to take out a loan) to start a business? (For example, would you trade a $50,000 salary each year for a chance to make $55,000 (a 10 percent return) or even $75,000 (a 50 percent return) per year? Would you require more?)
3. Are there alternate investments you are considering instead of investing in a business?
4. Would you be able to meet your financial investment targets with less risk by keeping your salary and investing your savings elsewhere?

If you are stressed by financial risk, that creates an issue for the risk side of your Entrepreneur Equation. The opportunity cost of giving up an alternative investment is also a risk. Your return requirements will help you evaluate the other side of the equation, which shows the rewards of the opportunity. Your answers above will help you evaluate both sides of your Entrepreneur Equation in more detail.

2 C

Assessing Your Personality

While the timing section helped you evaluate issues that are dynamic and may change over time, the personality assessment goes to the core of who you are. There are some people who, regardless of any enhancements in skills and experience or shifts in their priorities, will still be happier and shine more brightly without taking on the responsibilities, stress, and risks of business ownership.

In this section, you will evaluate whether several of the core factors of business ownership are consistent with your strengths, preferences, and personal disposition. Regardless of the strength of the other variables in your Entrepreneur Equation, if your personality is not a fit for entrepreneurship, you should not start a business.

15

Business Is a Roller Coaster, Not a Merry-Go-Round

WHEN YOU GO to the amusement park, do you prefer the roller coaster or merry-go-round? The experiences could not be more different.

The roller coaster can be really scary, with highs and lows, thrills and chills, and unexpected happenings at every turn. While you are waiting in line, the excitement of the unexpected is intense—sometimes good, sometimes bad. With the roller coaster, there is quite a bit of risk and reward involved. If you love the ride, you will have the time of your life. If you hate it, you may be dizzy or puking for the rest of the afternoon.

The merry-go-round on the other hand is, well, pleasant. Heck, it is called a *merry*-go-round! It may bring you some enjoyment but certainly not excitement (unless you are two years old). The merry-go-round is predictable—you know exactly what is going to happen on the nice little ride around in a circle. It may be enjoyable, but it doesn't send the adrenaline pumping through your body like a roller coaster. The merry-go-round is a low-risk ride. There is no surprise in the outcome; you know what you are going to get beforehand.

It doesn't matter which you like—it is your personal preference. (I prefer a third option, which I call the "food ride." This is when you stand in line at the amusement park and get to a counter where you can order an ice cream cone or a slice of pizza, both generally low-risk options.) But let's say you're one of the people who *loves* roller coasters. Does this mean you want roller coasters 24/7? What if you had to ride the roller coaster every day, from the time the park opened to the time the park closed, with just a few times a day that you could take a break on the merry-go-round? If that doesn't sound like the time of your life, you may want to reevaluate starting a business.

Entrepreneurship is the ultimate roller coaster, unlike any you have ever seen before. First, you have to use your own money to build or buy the

roller coaster, and even though you are helping to build it, you can't fully see what it looks like before you get to ride it. You don't know where the turns, loops, and drops are, or how many there will be. Then, you have to wait in a really long line to get on the roller coaster. Once you are on, you have to buckle up for a crazy ride. There is exhilaration, and there is fear. There are places when nothing is happening and places that induce sheer panic. No matter how well it is built, it will likely break down somewhere along the ride, leaving you stuck and hoping that it will get fixed and you will get out unscathed. Not to mention that this is the world's longest ride and that once you get on, you can't just climb off halfway through.

High Highs and Low Lows

Many new businesses have what is called a "honeymoon period." As you can guess, this is the beginning of the business's history when everything goes well. The honeymoon period typically lasts for the first several months (and sometimes a full year or longer) after opening, when, because it is the new thing, the company gets a lot of business. The honeymoon period is common in the restaurant industry. This is because when a new restaurant comes to town, everyone wants to check it out. A new restaurant opens and is often immediately packed. However, once those people who only wanted to check out the new restaurant have gotten their "shiny new thing" fix, they don't come back. Then, the restaurant's patronage levels off to a normalized state of business.

A couple of years ago, there was a new restaurant built less than a mile from my home that had everyone buzzing for months. From the first day it opened, it had two-and-a-half-hour waits. Even if you made a reservation (which you needed to make two weeks in advance) it could take thirty minutes to get seated. Every person within a ten-mile radius of the restaurant wanted to be among the first to try it out. However, the food was mediocre, the prices were high, and the service was average at best, so a lot of people never went back. After the first six months, the restaurant had quieted down. (That's not to say that the business won't revise its concept at

some point and build its client base again; the point is that it started like gangbusters due to the honeymoon period and then leveled off.)

This is why most large restaurant chains won't include a new restaurant in their "same-store sales" calculation (which calculates the growth or decline in the average sales at all restaurants on a yearly basis) until at least twelve to eighteen months after a restaurant opens and the restaurant patronage returns to a normal, more predictable level. They know the brisk sales—the honeymoon period—made after the opening of a restaurant skew the reality of the normal average sales at that unit.

The honeymoon period can cause some crazy highs and lows for you and your business. Take, for example, Marty and Joe (names changed), who were colleagues at a prestigious advertising firm. They were getting sick of corporate office politics, and because they were both client relationship managers, they felt that, hey, since *they* had brought in the clients, *they* shouldn't have to give up so much of the fees. If they had their own firm, they could capture all of the client fees and be the BMOCs.

They had been courting a few potential clients who were evaluating new advertising firms for new media business. I am not commenting on the ethics of this, but Joe and Marty tested the waters to see if these clients would sign with them if they left their existing firm to start a new company. Either they didn't have non-compete agreements with their old employer, or they were too dumb or ballsy to worry about getting sued; I didn't ask. Either way, what happened was that a few prospects agreed that if Joe and Marty started a new company (let's call it "Newco") then they would give some of their advertising work to Newco.

That was all the juice Marty and Joe needed. They didn't want to leave their high-paying advertising jobs until they were sure that they would have clients for Newco. Those potential clients made good on their promises, and Marty and Joe booked almost $600,000 worth of business during that first year. After expenses, they took home a tidy profit for the year and felt they had a great base upon which to grow the business. They were on cloud nine. They had a great honeymoon period with an initial push of great clients.

Marty and Joe were flying high; they were the best of friends, were doing well, and believed that the world was their oyster. However, they didn't realize that what they had experienced in year one was that honeymoon period. When year two came, the honeymoon was over.

To say that year two wasn't what they expected would be a bit of an understatement. They started to call on new client prospects in an effort to build their business. However, the prospects weren't as impressed with their client list as Marty and Joe had expected. Then, the worst-case scenario occurred. Within a three-week period, their two biggest clients (which had accounted for most of Newco's revenue in year one) had management changes. One client brought a new CEO on board who decided the company should bring their new media division inhouse and terminated the relationship with Newco. The second brought on a new director of marketing who decided that he preferred to have the prestige of a big-name firm as an advertising partner and also pulled the business from Newco. Without their biggest clients, Marty and Joe struggled to find projects for their second year.

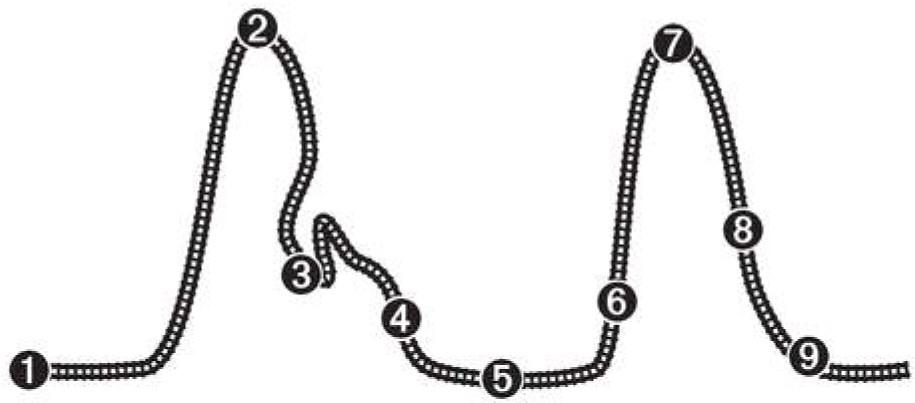
The roller coaster went up, then down, and then hit a corkscrew. Marty and Joe began to fight constantly. They each blamed the other for the drop-off in business. Things were tense at the office. They terminated their one other employee, whom they could no longer afford to pay. At the end of year two, they had only made $70,000 in revenue for the entire year. After expenses, including rent, marketing, travel, and administrative costs, among others, they basically had no profits to show for their second year and nothing to take home in their pockets.

Joe decided he couldn't take the ups and downs of running a business and left a few months into year three to go back to work at a larger agency. Marty kept going and a couple months into year three, he received a referral from a former colleague that ended up paying off in spades. The roller coaster was going back up again and by the end of year three, Marty had reinvigorated Newco (or so he thought) and had made about $265,000 in revenue. It was not as much as Newco made in year one, but since Marty no longer had a partner, he felt he was again on the upswing. He was once again in a good mood, enjoying the success of being out on his own.

However, roller coasters don't go up indefinitely, and Marty's roller coaster was no exception. In year four, Newco's sales contracted again to less than $100,000 for the year. After expenses, Marty's profit didn't justify the risks or the hours he was working. After all of the ups and downs, Marty could no longer take the instability and closed Newco. Marty tried to return to a large advertising firm, and it took him about nine months to find

employment because potential employers were worried that he was used to being the BMOC and wouldn't be able or willing to work in the corporate hierarchy anymore.

JOE & MARTY'S ROLLER COASTER RIDE



1. The ride begins…Marty and Joe start Newco.
2. Going up…year one ends with $600,000 in revenue.
3. Corkscrew…two major clients pull their accounts.
4. Going down…year two ends with $70,000 in revenue and almost no profits.
5. Hitting bottom…Joe leaves Newco.
6. Back up again…Marty gets a new client referral.
7. On a peak…Marty has a healthy year three with more than $250,000 in revenue.
8. Going down again…year four again is a down year, only $100,000 in revenue.
9. Marty gets off the ride.

The Reverse Honeymoon

While some businesses benefit from a honeymoon period, other businesses endure a reverse honeymoon period. Nobody knows that the new business exists, so it takes a good deal of time to build the business. The business may go through months of virtual nothingness. It may take months and months to get through a sales cycle and gain momentum. This can be emotionally devastating, as the business is so slow in the beginning that you wonder if you will ever gain any real traction.

While a honeymoon or reverse honeymoon period can create ups and downs, a variety of other factors can also create a roller-coaster ride for businesses. This includes factors ranging from having a novelty product, to making a bad acquisition, to competition moving very quickly. This means that even if you execute very well for a period of time and you are worth a

bunch of money on paper, you still may not benefit from the upside or reap any of the financial benefits of your business by the time you are able to extract money from the business.

I have seen this happen many times. For example, take the five-year-old consumer products company that one of my colleagues worked with that was worth $100 million a year ago and, due to mismanagement, has no equity value today. The entrepreneurs behind it thought they had hit the big time, but given that all of the money generated by the business has been used to grow it, they probably won't see a penny from their investment or hard work.

There is another hybrid product and service company that I have done some work with that has been in business for nearly ten years but is now losing money (and the bank is requiring a personal guarantee from the entrepreneur to keep the business afloat). Unfortunately, this is not an uncommon situation; I could name two dozen other similar examples without much thought.

Even when an opportunity is significant, because of the amount of capital required to be reinvested in the business to help it grow or the requirements of the other investors in the business, sometimes the business isn't worth much by the time an entrepreneur would realistically be able to liquidate some or all of his equity. With increasing competition, this situation will likely become even more prevalent over the next several decades.

Financial ups and downs are not the only rollercoaster-esque aspects of business. There are all kinds of other fun things that happen which create drama and highs and lows during running the business. From your warehouse being destroyed (this almost put Build-A-Bear Workshop out of business early in the company's history), to hiring employees that quit unexpectedly, to having your computer systems crash and losing valuable data, there are many issues that pop up that will make you sad, angry, or frantic. Sometimes, problems follow something great. For example, you get a huge order from a major retail chain (a major high), only to find out your suppliers can't help you fulfill it in time and you blew your big chance (a major low). Highs and lows are just part of the roller-coaster ride.

IF YOU ARE A PERSON WHO APPRECIATES HAVING CONTROL—WHICH IRONICALLY IS WHAT MANY ASPIRING ENTREPRENEURS CITE AS A MAIN REASON TO START A BUSINESS—THE ROLLER-COASTER RIDE OF A NEW BUSINESS MAY MAKE YOU INSANE OR AT LEAST EMOTIONALLY AND MENTALLY EXHAUSTED.

The aforementioned are just a few of the many examples of the various surprises, highs and lows that you will face. While you will enjoy the good ones, the bad ones will seem even worse given all you have at stake. It also creates a system of questionable balance as you swing from the highest high to the lowest low. If you are a person who appreciates having control—which ironically is what many aspiring entrepreneurs cite as a main reason to start a business—the roller-coaster ride of a new business may make you insane, or at least emotionally and mentally exhausted.

Achieving balance and finding time for work, friends, family, health, exercise, and leisure time is hard. Remember that balance and the roller coaster are often not compatible.

PERSONAL BRAINSTORM

TARGET FOCUS—PERSONALITY
Understanding the Highs and Lows of Business

Think about if any of the following apply to you and how that may make you feel or react to the ups and downs of business:

- You don't like surprises or the unexpected;
- You lose your cool when things don't go as planned or stress out easily;
- You prefer when things are predictable; and/or
- You can't quickly adapt to changes.

As you think about the risks and rewards of starting a business, make sure to factor in the ups and downs of the business roller coaster. If you want the merry-go-round, I wouldn't advise quitting your day job.

16

The Shiny New Thing Syndrome: When It's Fun for a Day and Okay for a Week ... But Sucks for a Lifetime

NEW THINGS ARE FUN. I personally love shiny new things and am easily amused by them. Whether it is a new food product, television show, restaurant, or shoe style, I am intrigued because "new" is fun.

I am clearly not the only one that shares this sentiment. A large part of the U.S. economy is built upon selling us things that we don't need, but that we really want, mostly because they are new. Moreover, new is exciting. Think about those advertising pitches that talk about "new" (usually with a big yellow sunburst around the proclamation of its newness). Now with *new* extra-stain removal power! Now with a *new* removable pouch! Now in a *new*, leak-proof container! *New* colors now available! We consumers love new, new, new!

It is fun to turn your attention to something new. Think of what a great feeling it is to get a new car. If you get a new house, have a new baby, or join a new religion, you may even throw yourself a party. You love to tell your friends about your latest new phone-computer-bike-television-toywhatever. New things prevent you from having to rehash the same old stories over and over.

New versus Commitment

Liking new things isn't bad except when you are trying to make a commitment. There are people who take commitment very seriously, and then there is someone like Larry King, who has been married eight times to seven different women. I am not judging; you can feel whatever way you want about commitment. I personally hate commitment in a lot of areas in

my life. I currently don't have a pet or child—or even a plant—because I don't want to make the commitment to take care of something living. However, I am personally committed to making good when I give my word on something. If I am putting my own money and time at risk, you can be sure that I am committed 100 percent. If you aren't so good about professional- or work-related commitments in your life, you're going to want to think long and hard about an entrepreneurship commitment, as it is a costly commitment to abandon.

> LIKING NEW THINGS ISN'T BAD EXCEPT WHEN YOU ARE TRYING TO MAKE A COMMITMENT. THERE ARE PEOPLE WHO TAKE COMMITMENT VERY SERIOUSLY, AND THEN THERE IS SOMEONE LIKE LARRY KING, WHO HAS BEEN MARRIED EIGHT TIMES TO SEVEN DIFFERENT WOMEN.

Have you ever watched someone do something that he is really good at and thought that it looked easy? It was new and intriguing. Maybe you saw two dancers perform a tango, a golf pro play a round of golf, or a pastry chef make an elaborate dessert? You got so excited by it that you wanted to do it, too! Then, you tried it out and instead of it being exciting because it was new, it frustrated you because you couldn't do it at all.

You thought it was going to be easy. You invested in dance shoes, golf clubs, or a set of All-Clad cookware to pursue this new endeavor. However, it wasn't easy and now you are pissed off because you just wasted money on new shoes, clubs, or pots and pans. The problem was that you hadn't given one iota of thought to the fact that the reason it looked easy for the others is that they had the experience; they spent a lifetime (or a good part of their lifetime) perfecting their skill and then continually using it, practicing it, and refining it. Maybe instead of putting in the time to improve, you decided that this new thing was stupid and turned your attention to another new thing. If you quit, your risk was pretty low—the cost of the clubs or the cookware wasn't going to send you into bankruptcy.

However, if that “something” you tried had been a new business, quitting would have a very high price tag.

If you are someone who is easily intoxicated by a new idea, business concept, or business model, but you have the attention span of a fly, then you are going to have a hard time following through and making your business a success. Sometimes a new business model seems exhilarating. It is new, shiny, and fun, and you are pumped about it. You tell a few people about it and you are really convinced that you are going to have the best business ever. So, you do some research and as you are learning more about the industry, you start thinking about all of the work that is required to make this cool new thing a reality. Then it becomes less exciting. It is still cool and still new, but it isn’t quite as cool as it was when it was brand-new. As more time goes by and you think about spending your life (or even the next five years) focused on this one thing—and I do mean focused, as all of your efforts are going to be focused on this business—then the once-shiny fun thing starts to look like torture.

The business model may go from brilliant to stupid in your mind, and you are wrestling with what to do when—ta da!—another new business concept is presented to you. This one is even better than the last (of course it is—it is *new*), and therefore business idea number one is abandoned for business idea number two.

I spoke to one aspiring entrepreneur recently who was interested in opening a Subway restaurant franchise. She didn’t have any expertise in the restaurant industry, but she was really jazzed to sell $5 foot-longs to every hungry customer in her city. I encouraged her (as I do with many entrepreneurs without industry experience) to take a job on nights and weekends at a Subway to see what it was like to be in that environment as a workplace. I can tell you that after a few months when the idea was no longer shiny and new, submarine sandwiches weren’t so appealing anymore and she was thrilled that she didn’t spend the more than a hundred grand in expenses of starting a franchise before taking the time to check it out. She saved herself a whole lot of money and has refocused her thinking about her career.

If you are the type of person who is always looking to the next new thing, entrepreneurship is not for you. I am not talking about being intrigued and focused on “new” in terms of producing new ideas for an existing business,

such as new approaches to customer service, new features for existing products, or improvements to your existing technology. I am talking about "Business Attention Deficit Disorder" (which could be called BADD, as it is definitely bad for business), a condition in which you can't commit to one business when presented with the newness of something else.

Business success requires focus and dedication on a single path for a long period of time. The excitement factor should increase as you achieve milestones, not decrease as the newness wears off. If you don't like commitments, or if you are hyperactive and easily distracted by the possibility of "something better"—beware! It is perfectly okay for you to be obsessed with the new, just not if you intend to run a business, because you will always be wondering what else is out there.

EXERCISE 10

TARGET FOCUS—PERSONALITY:
Are You in It for the Long Haul?

1. Write down on a piece of paper any projects that you have started in the past five years that you have stopped, quit, or abandoned before finishing.
2. For each project, ask yourself why you stopped and write down that reason. Some potential reasons could be because:

    - It was too hard.
    - You got bored or lost interest.
    - Other things became bigger priorities.

3. Now, add to the list any skills, learning processes, or activities you have tried that you thought were going to be easy but were much harder than you expected.
4. For each of those, write what you did once you encountered the difficulty (continued on, gave up, cried for three months straight, etc.).
5. Under your list, write down whether you relate a lot, a little, or not at all with the following statements:

    - I often don't follow through on promises.

- I get bored with projects easily.
- I am always seeking the next big challenge.
- I like learning something new more than doing something repetitively.
- I love shiny new things.
- Old things don’t hold my interest.

Use your answers to items one through four, plus any “a lot” or “a little” answers to item five to assess whether you have a pattern of discontinuing projects or have difficulty making commitments. If so, it’s no big deal (unless, of course, you invest in a business that you abandon part of the way through). Reflect on whether, given your reasons for stopping other projects, you may likely be in the same situation with a business. If so, you should either reconsider the business route altogether or initiate a jobbie on a very small scale to see if you can maintain interest. Think about whether there is a way that you can make a commitment to small milestones in starting your business before investing heavily in it. If so, what can you do to make sure that you will be in it for the long haul?

17

Businesses Don't Happen Overnight

I AM REALLY SHOWING OFF my range of sophisticated cultural references here, but one of my favorite books (and related movies) is *Charlie and the Chocolate Factory* (also known as *Willy Wonka and the Chocolate Factory*), which had a great character named Veruca Salt. Veruca was the stereotypical spoiled brat that had no patience and wanted anything and everything at her whim. In the original movie version, she sang a song called, "I Want it Now," which reflected that not only did she want a bright shiny new thing, but she didn't want to have to wait around for it.

"I want it now" is not an uncommon philosophy in our society, as we have become a society of immediate gratification. Almost anything in the universe that we desire is just a quick mouse click away. We no longer place a lot of value on that whole "patience is a virtue" saying. In the business arena, the media intensifies this sentiment by talking about overnight sensations, leaving out the part that the overnight sensation actually was working hard for decades before becoming an overnight sensation!

One way that our impatience rears its head is by tricking us into thinking that we have experience. We have already talked about how often we don't want to take the time to prepare to do something; we just want to start doing it (sometimes known as "Ready. Fire. Aim!"). Another way impatience asserts itself is when we believe that the business will run smoothly and be immediately successful.

If you are like me, you like to complete tasks and check them off the list. Impatience in a business can stem from that desire to see tangible progress. However, that progress is not always up to you and will therefore not be completed in your timeframe. Financial success aside, everything else in a new business is going to take two to three times as long (maybe longer) than you think it should (and than it probably should) take.

Your lawyer will take too long to set up the corporate structure and any other documents you need. Your web developer will take at least double the time quoted to develop your website. Your store will take longer than you had anticipated to build out (setting your opening date back a few months). Your new employees will take twice as long as anticipated to train (and then still won't fully understand what they are supposed to be doing). Your vendors will send you products after the date they had promised. When your office equipment breaks, it will take longer than necessary to fix (especially if it is something important, like your computer with all of your data).

If you cannot deal with the stress of inefficiency, or you are impatient and likely to blow up at every issue, get your high blood pressure medication ready when you start your new business.

While it isn't good to be so relaxed that no real progress is ever made, impatience and unrealistic expectations are not qualities that play well in the entrepreneurial arena. While I mentioned that some businesses have a honeymoon period, some don't, and the ones that do eventually wear off. The bottom line is that you have to be mentally, operationally, and financially prepared for your business to take a while to gain (or regain) momentum.

On the mental front, it can be quite an emotional defeat when your business realities don't match up to the dream you had in your head. I can't tell you how many times I have met entrepreneurs that have opened ______ (fill in the blank with your favorite small business model—retail store, online store, services firm, etc.) that fell short of their expectations. Each time, the entrepreneurs had visions that once they did the "up front work"—such as creating or sourcing products, putting together the website, building out the store, setting up the credit card processing and PayPal accounts and putting together some flyers and other marketing materials—they were ready to go, and the money would start pouring in. They had visions of the phone ringing off the hook with orders, boxes stacked high by the door waiting for the post office to pick up and deliver to all of their new customers, and, of course, themselves laughing all the way to the bank. They opened their business and that didn't happen. In fact, not much of anything happened.

Consumer businesses can take a while to build momentum, and business-to-business products and services often have a long sales cycle. These factors are consistently not processed or severely underestimated by new entrepreneurs. When the business opens and dollars don't start flowing, discouragement sets in. This doesn't mean that you should sit around and do nothing (conversely, you have to work extra hard to reach and convert customers), but it doesn't mean you should give up either.

Sometimes building your business becomes very painful and happens slower than you have ever imagined. Let's say you have a new rock band and in order for you to get paid, selling CDs, playing concerts, selling merchandise, etc., you need to have fans. So, you figure that the best way to build your fan base would be to take a low-paying gig at a smaller club to get some exposure and credibility. So, you submit your music to the slacker in charge of bookings, and he never calls you back. You follow up several times, and by the twelfth time he is sick of listening to your voicemail messages, so he calls you back. Before he discusses anything else, he wants to know how many fans you can bring to his club for a show.

You are confused. You are a new band, so you don't have many fans other than your friends and family members who come out to support you. This is why you are agreeing to the gig at the low-end club in the first place! He sees it differently. He explains that he is also trying to run a business and that he needs people in the club to pay a cover charge and/or buy lots of alcoholic beverages. If you don't have enough fans who you can guarantee will show up at the club, he can't book you. Or, if he is very generous, he may say that at a minimum he can't pay you unless you have at least "X" number of fans who show up. Oh, and if you take the unpaid gig, your time slot will be at 5:30 p.m., when there is sure to be nobody at the club. So, you try to build your fan base, but you can't do that without having some fans (or at least forgoing payment). You realize it is going to be a very slow and painful process for you to build that fan base.

You May "Want It Now," but You Don't Get to Have It Now

If you have delusions that your business is going to take off on day one and that you are going to soar to success, you are in for a heck of a surprise. If you require immediate gratification or consistent recognition for your achievements, you are going to have a hissy fit when your business doesn't provide that. It is going to be a long and bumpy road, so don't delude yourself into thinking anything different.

The other problem with immediate gratification is that you need to move on to get your next gratification fix. For a business to build real value takes a long-term commitment. Not just a commitment to getting things humming but a commitment to keep things going day in and day out, where a lot of the days there may not be that tangible gratification you seek. In fact, you may not realize value for decades. Do you have what it takes to commit not just for now, not just five years from now, but for decades? Imagine yourself ten years in the future. Do you see yourself working in this business? If not, then don't put yourself on a path to do just that.

PERSONAL BRAINSTORM

TARGET FOCUS—PERSONALITY
The Patience Factor

Ask yourself the following questions:

1. How long can I dedicate to building a business?
2. Can I commit one-and-a-half to two years to assess whether the business will work?
3. What will I do if I do not make any profits in the first six months? What about the first year? What about for two years?
4. Can I see myself running this business in five years? Ten years?

Use these answers to evaluate whether you have the patience required to nurture the ups and downs of a business over a long period (especially if that period has lots of downs).

18

Do You Have the Core Competencies to Be a Santa or an Elf?

PEOPLE WHO ARE SUCCESSFUL and happy professionally usually are because they are good at what they are doing. Most people have a few skills and strengths that stand out above all others in a professional environment. The problem is that when you are an entrepreneur, you really need to wear a lot of hats, and this requires you to excel at each skill that each hat represents.

This is a major reason why many people aren't suited to be entrepreneurs from the get-go. They need to have a well-rounded skill set to be able to manage a business. They also need to be strategic visionaries for their organizations.

Making Christmas Happen Takes One Santa Claus ... and a Whole Lot of Elves

To make a business successful, just like Christmas, it takes one Santa Claus and a lot of elves. Santa has the vision and keeps the big picture in mind, and the elves assist with the execution. The elves don't do anything without Santa's direction. And if the presents don't get delivered on Christmas, the elves don't get blamed, Santa does.

If you look at most hierarchies, they are shaped like a pyramid with a few people at the top setting the vision and strategy and lots of people underneath making that strategy a reality. This structure is seen in all kinds of groups. On the reservation, there are few chiefs yet lots of Indians, and on the sports field there are few coaches and lots of players (and for professional sports, just one principal owner). The structure works because it is hard for groups of people to make effective decisions; have you ever

heard the phrase “too many cooks spoil the broth”? This structure also works in terms of core competencies, because most people aren’t visionary strategists, they are “doers.” In the Santa context, that means most people are elves.

In keeping focused on core competencies, if you are a doer, then you should do a doer’s work. There is no shame in being a doer. In fact, not much progress would be made in this world if there weren’t doers. The doers get things done! They lay the bricks that build the buildings, they prepare the food that customers enjoy, and they teach the children that are the world’s future. The doers may not get to fully participate in the upside of any endeavor; however, the doer’s life is typically a lot less stressful because doers wait to be told what to do (and don’t have a big risk if the doing doesn’t get done!).

Are You Santa or an Elf?

I had one particular friend that desperately wanted to start her own business a few years ago. I was baffled when she told me this because in her previous jobs she had always complained when there was a lack of direction. When she was told what to do, this woman was a superstar. She was unstoppable. She could do anything and do it well. However, if you didn’t tell her what to do, then she did virtually nothing. She didn’t have the innate drive to “pick up the ball and run with it” unless someone specifically told her to do so.

Fortunately, after a few conversations covering this issue, she acknowledged that she did better work when she had specific guidance and decided against the entrepreneurial route (and is now in a fantastic job where she has been promoted twice).

Basically, you can’t run a business when you are waiting for directions. There is no goddess of entrepreneurism that will appear in a vision or pop out of the cash register and give you guidance and suggested next steps. Not only is it up to you as an entrepreneur to set the direction, strategy and work process for yourself, but you need to do that for every person in your

organization. If you are a doer, not only will this task be daunting, it will be nearly impossible.

Core competencies are all about maximizing what you are best at—your innate skills and the areas in which you shine. If you are going to leave your comfort zone and try something new that is not aligned with your competencies, you may not want to test it out by starting a new business, where you have thousands of your own dollars on the line.

EXERCISE 11

TARGET FOCUS—PERSONALITY:
Assessing Your Strengths in Terms of Role

Write down the answers to the following questions:

1. When you interact in groups, what role do you typically play (and like to play)? The leader? The heavy lifter? The free rider?
2. Have you managed groups of people before now? If yes, what did you like and dislike about the managerial role?
3. How would you feel about managing employees, customers, and/or the direction of an organization?
4. Do you like to take on responsibility? Why or why not?
5. Do you like to take the ball and run with it or prefer to wait to be given specific instructions to follow?
6. Do you like to look at the big picture or focus on details?

If you aren't sure about any of the above, ask some friends or colleagues to give you some feedback (make sure these people are "spinach in your teeth" people and not smoke-blowers).

Review your answers and write down next to each whether that preference or strength is more consistent with being a "Santa" or an "elf." If you are trending more toward elfdom, you will want to avoid running a business, which puts you squarely in the Santa position. Instead, consider taking your entrepreneurial spirit and put it toward your work in someone else's organization.

19

The "Secret" Is *Hard Work*

WHEN YOU WERE LITTLE, did your parents, or perhaps a teacher or some other authority figure, tell you that you could be or have anything you wanted, that you were only limited by your dreams? Mine didn't, so maybe not… However, you are undoubtedly, like me, familiar with that concept. We love dreams. In the United States, we even have our very own American Dream. We go to movies with fairy tale, dream-inspired endings. If you wish it and you dream it, they say, it is all possible.

Hoping and Dreaming Aren't *Doing*

People who wish and hope and dream for things are not so good with business. They spend more time hoping than doing. Have you ever met someone who spent so much time telling you about their dreams, that if they spent half the time they spent talking actually doing something, they would have accomplished whatever it was they were dreaming about in the first place? I know lots of people like that. Wishing never translates well into becoming an entrepreneur.

Chip Bell and John R. Patterson, authors of *Take Their Breath Away*, perfectly illustrated this in a guest post they wrote for my blog, *Unsolicited Business Advice*:

> Three turtles sat on a log in the edge of the swamp. One decided to jump in. How many are now on the log? Nope, there are still three. Deciding and doing is not the same thing. Until you execute, all decisions are just plain-old intentions. Execution—putting skin in the game—is the true test of commitment. "I believe, I support, I

> approve" are all just weasel words unless they are coupled with visible demonstration.

This sage insight applies to starting a business, too. As Chip and John noted later in the piece, the road to hell is paved with good intentions. Wishing, intending, and dreaming are not the same as doing.

> AS CHIP BELL AND JOHN R. PATTERSON NOTE IN OF *TAKE THEIR BREATH AWAY*, THE ROAD TO HELL IS PAVED WITH GOOD INTENTIONS. WISHING, INTENDING, AND DREAMING ARE NOT THE SAME AS DOING.

Now, I have never personally read the new age self-help book, *The Secret,* that was a sensation a couple of years back, but my general knowledge of popular culture—from my latenight viewings of *Oprah* to my frequent visits to various pop culture websites—coupled with my discussions in social circles gives me the gist. *The Secret* touts the law of attraction, saying that if you think positively about something, that positive thinking will help you attract whatever it is you want. From what I understand, it suggests that if you create some kind of picture collage of your goal and use it as a visual aid to inspire you to keep thinking about that goal, that goal will be fulfilled. I think of it as sort of a perverted version of a book written decades ago by Napoleon Hill called *Think and Grow Rich* but without one key element: *hard work*.

Oh Yeah, That "Hard Work" Thing

This is where the difference comes into play between the wisher and hoper, and those with real desire. The wisher and hoper read the book literally. They want to make a million dollars, so they cut out pictures of money and all of the things they will buy with the money and tack it up on the wall. They look at it every day, think about it, dream about it, and wait for the good fortune to fall in their lap.

If you have desire, you let the money (or whatever may be on your vision board) be the goal and the fuel to pursue your dream. Then, you come up with a credible plan of action to achieve that goal. You use the positive attraction to help continue with your plan and keep you going when the times are tough, but you actually *do the work*. You don't believe that your thoughts alone will bring you riches; you understand that by having a goal and a positive attitude you can have a path to achieve those riches if you stay focused and do the work. This is probably what *The Secret* was intended to convey, but not everyone got that message.

Do you *wish* you had a successful business, or do you desire *to start* a successful business? Do you hope you can be successful, or do you know that your desire for success will ensure its outcome? If you fall into the wishing and hoping camp, you probably don't have what it takes to start and run a business. Businesses sometimes are fortunate enough to have some luck, but a good portion of that luck is made out of shrewd business decisions, dedication to the tasks at hand, and plain-old rolling-up the sleeves. Businesses are not successful because of miracles, vision boards, and good old wishing and hoping.

So, do you wish you had your own business, do you dream of having your own business, or do you have the true desire to be an entrepreneur and won't let anything stop you from achieving that goal? Only one of those is the right answer if you want to start or buy a business.

RECOMMENDATION

There is no assessment here. If you want to take your dreams and create an action plan to move from thinking to doing, I recommend reading Barbara Sher's *Wishcraft*. As of presstime, it is available free for download on her website, www.wishcraft.com.

SECTION THREE

Assessing the Business's Fit for You

NOW THAT YOU HAVE ASSESSED your fit for entrepreneurship, you must evaluate each opportunity, as well as the prospects of business ownership to assess their risks, issues, and rewards, and then evaluate those risks and rewards in terms of your personal circumstances.

3 A

Assessing the Opportunity

This section allows you to think critically about a particular new business opportunity to see if it is worth pursuing in the current environment. This section concludes with two specialty chapters for those who are thinking of buying a business (instead of building one) and also those who are in a position to inherit a family business.

20

It Takes Money to Make Money

THE FINANCIAL ASPECTS of starting and running a business are often underestimated, but they are arguably the most critical areas (and the areas that usually cause the most trouble) in your new business. In my FIRED-UP entrepreneur assessment, the very first step is the "F," which deals with your finances. This is not a coincidence, because when you are considering becoming an entrepreneur, it is paramount that you have (or have access to) enough money to (1) start up or purchase the business; (2) operate the business, including the ongoing working capital and investment needs of the business; and (3) also live on (you still have to pay your bills, right?).

When you start or buy a business, you need to translate your business plan from written ideas about your business concept into a set of numbers called a pro forma financial model or financial projections. These financial models will do three very important things for you:

1. Help you evaluate if the opportunity makes financial sense (i.e., if it has the potential to produce an attractive return for you on your investment) and is worth you pursuing;
2. Help you identify how much money you need to start or buy the business, as well as have enough cushion to be able to fund business operations for the first two years; and
3. Provide a benchmark for the valuation of the company and how much ownership you will give up to investors if you need to raise equity capital.

> IF YOU DO NOT (OR CANNOT) EVALUATE WHETHER YOU WILL BE MAKING AN APPROPRIATE RETURN ON YOUR INVESTMENT, AND WHETHER THE FINANCIAL TRADE-OFF OF THE BUSINESS IS WORTH THE RISK

FROM A FINANCIAL PERSPECTIVE, STOP, DROP, AND ABSOLUTELY DO *NOT* QUIT YOUR DAY JOB.

I want to particularly emphasize number one above, because I have seen business plans that have no financial projections, limited financial models, or unrealistic financial models. You cannot (I repeat, *cannot*) evaluate whether you have a good business opportunity that is worth investing your money, time, and effort in from just a written plan and qualitative ideas. If you do not (or cannot) evaluate whether you will be making an appropriate return on your investment, and whether the financial trade-off of the business is worth the risk from a financial perspective, stop, drop, and absolutely do *not* quit your day job.

Garbage In, Garbage Out

Creating a financial model is a daunting task for many entrepreneurs, most of whom have about as much experience with Microsoft Excel and building financial statements as they do with Celtic dancing (the latter probably being less intimidating to attempt). In addition to being unfamiliar with the programs most often used to make the model work, many entrepreneurs are not well-versed in financial accounting. They don't know revenue from profit, they can't tell you what EBITDA stands for, and they certainly don't know what a good gross margin for their product or service is.

Like anything you don't have experience with, understanding and operating within the financial world is hard at first. In fact, financial modeling has a steep learning curve, which is why people who build and evaluate financial statements for a living usually get paid quite handsomely.

While you can find someone to help you with the mechanics of financial statements and assist you with putting them together, the financials of your business are its lifeblood. The financial model is built upon your assumptions for every aspect of the business, from the number of customers you will have, to the pricing of your goods and services, to the margin you will receive on your product based upon anticipated vendor costs. You will

have to detail your growth assumptions, your expense assumptions, your ongoing working capital assumptions, and your anticipated start-up costs.

Even if you have someone who can build the model, the usefulness of the model is predicated upon the quality of the information you input. There is a concept that applies here—garbage in, garbage out. If you put garbage in (i.e., non-thoughtful numbers that are not backed by realistic assumptions), you will get garbage out (i.e., a model that won't help you to evaluate the opportunity and the business's financial needs and will put you in a pickle of a situation down the road). Norm Brodsky, an *Inc.* magazine columnist, makes an excellent suggestion in *The Knack* that you do your numbers by hand instead of with a computer program. He says "... . to be successful in any business you need to develop a feel for the numbers ... tracking the numbers by hand is the best way I know of to learn the language."[1] This suggestion can be used both to develop your financial model and to practice on an ongoing basis in your business.

Now, there will be people who say that projected financial statements are just guesstimates, and, to some extent, they are absolutely correct; you will never know exactly what will happen with your business, and there is a 99.99 percent chance that you will have to revise them frequently as your business evolves. However, your financial statements should be educated guesses based on a set of logical assumptions (e.g., if you need to capture 90 percent of a market to break even, you probably don't want to be in that business). While you may not be able to predict everything that will happen with your business, you need to have a base set of realistic assumptions that show, under conditions that are considered achievable, you will make a worthwhile return on the investment. The more milestones you have hit, the more realistic those benchmarks should be.

Once you have your financial statements together and have established through numerical data that the upside financial reward of your business is worth pursuing, as well as how much money is required for you to start or buy and run the business, then you need to figure out if you need or want to raise capital. If so, you need to decide if you are going to do it through taking on partners who have ownership in the business (raising equity) or through getting a loan that you are ultimately responsible for (raising debt).

Whose Money Are You Using?

If you have the financial capability to do so, you may choose to use only your own money for the business. There are three good things about using solely your own money: (1) not having to give up ownership in your business; (2) not having to worry about the capital-raising process; and (3) not having to work with investors who may drive you crazy.

However, there are downsides to going solo. The first is that all the risk rests with you, and if you are using the majority of your net worth to fund the business, this means you have the added risk of having all of your eggs in one basket and potentially not being able to support yourself (and anyone else who needs supporting, like a family) for a couple of years while you ride out the ups and downs of the business's early years.

Secondly, you may not have enough money invested in the business if you're only relying on your means. Statistics show that most entrepreneurs don't take on outside investors or lenders; however, most businesses are also severely undercapitalized, and this is a leading cause of their eventual failure.

A third disadvantage of footing the bill yourself is that if you start to run out of money, you aren't going to have a partner with deep pockets to turn toward to help with the tough times (and trust me, you aren't going to be able to raise new money during the tough times—struggling businesses are not desirable investments for the guys with the money).

If you don't have enough money to fund the business, or you want to share part of the risk, you need a lender or one or more investors. Then you get the fun of raising capital. In a very unscientific poll that I continually take among entrepreneurs, backed up by a decade and a half of anecdotal evidence, 99 out of 100 entrepreneurs rate raising capital as one of the worst aspects of starting and running a business.

IN A VERY UNSCIENTIFIC POLL THAT I CONTINUALLY TAKE AMONG ENTREPRENEURS, BACKED UP BY A DECADE AND A HALF OF ANECDOTAL EVIDENCE, 99 OUT OF 100 ENTREPRENEURS RATE RAISING CAPITAL

AS ONE OF THE WORST ASPECTS OF STARTING AND RUNNING A BUSINESS.

I know quite a bit about raising capital. Both by myself and as part of teams, I have helped companies of all sizes, ranging from a single entrepreneur with a business plan to large public companies, raise collectively more than a billion dollars for their businesses. What I know firsthand is that the smaller your business is and the more you need the money, the harder it is to raise the necessary capital. The earlier stage the business is in (i.e., a start-up) and the less money the business produces in terms of profits (and if you haven't started, there are no profits), the fewer the number of organized entities devoted to investing in the business. It makes sense from a risk perspective, as the further along a business is in its development and business cycle and the more profits the business is producing, the less risk there is in the investment. Therefore, the more profits you have, the more investors that will want to jump on board.

In addition to knowing that there are few places for you to turn to for your capital needs, I also know one additional consistent truth about entrepreneurs and raising capital: *early-stage and new business owners underestimate the cost of starting and running the business 99.99 percent of the time.* In every early-stage business I have seen, the entrepreneurs say that their financial projections are conservative in terms of revenue and expenses. They also always claim that they are raising more money than they need and that they have a cushion. Every time, I have told them that their projections—as is the case with all entrepreneurs' financial projections—are too aggressive. And every time, the entrepreneurs lecture me about why they are the "exception to the rule." Then, a year later, after their revenue estimates have fallen short and their expenses are greater than expected, they give me the reasons why they have missed their projections. There has yet to be an exception to this in my personal experience.

Investors know this, and it is why seasoned investors always take a "haircut" to the projections when they evaluate the investments; they assume that they are overstated on the revenue line and understated on the expense line.

Wade Beavers, CEO, and Joe Sriver, founder and president of the mobile technology company DoApp, know this all too well. They said that the biggest surprise of a new business comes because the entrepreneurs "expect to generate revenue immediately" from the get-go. If you are not in business already, Wade says it is "hard to realize the complexity of getting a product to market and selling to people ... it will probably take up to three times longer to generate any revenue than you expect."

So, do yourself a favor when you build your financial statements. After you make your assumptions on your business and do your financial projections to find out how much money you need, go back and revise them so that the amount of money you actually need is one-and-a-half to two times the amount you originally thought you needed. I believe that is usually the scope of underestimation by entrepreneurs. This means that if you think you need $100,000, you really need $150,000 to $200,000. If you think you need $3 million, you really need probably around $4.5 million, maybe more. You get the idea.

If you need more of a cash outlay in the beginning, then you know what that means? Yes, it means that you need to put more of your own money at risk, find more investors, or have each investor you've already found write you a larger check.

Skin in the Game versus Sweat Equity versus Other People's Money

Once you know how much you need (and have increased that figure because you underestimated it on the first pass through), you have to figure out how you are going to get the capital. The biggest surprise to you may be that you need to invest a meaningful amount of your own money. This is called having "skin in the game." Nobody wants to invest when you are only contributing your ideas and time (also known as "sweat equity"). You will get partial credit for your time, but if you believe in what you are doing, you need to be financially invested as well.

If you decide to go the investor route—that is, to find other people to be your financial partners and give away ownership of the business—you have

another set of headaches to deal with. First off, where will you find your investors? Most business models aren't big enough in their scope to attract the attention of sophisticated investors like angels (individual or groups of high-net-worth investors) or venture capitalists. These investors want to invest in businesses that have the ability to give them a 30-50 percent return (or sometimes higher) on their capital on average for every year they hold the investment. They use this benchmark because they know a large percentage of their investments are going to fail (as most new businesses do) or be limited in the scope of their success, so they need the one that really succeeds to make up for the nine others that flop. These investors also need a way to get their initial investment (and hopefully a return as well) out of the business, so they expect that in some realistic time frame, usually five to seven years, the business will be big enough to sell or to take public in an IPO (Initial Public Offering). This set of criteria means that your business may not be a fit for an angel or venture capital investment.

So, if you are not fundable by seasoned angels or venture capitalists, you have to go to who you know—friends, family, and acquaintances who may consider investing in your business (sometimes called "DDLs," an acronym for those doctors, dentists, and lawyers that your friends and family know who are expected to have some extra cash lying around). This is a tough task. It is hard to ask people you care about to give you money. Once you accept it, you make a deal with the devil of sorts, because now your relationship with this person has gone from its existing form to also being business partners. Sometimes you will have to make decisions for the sake of the business that will not make your friends and family happy. This makes for some seriously uncomfortable future interactions.

Even if your friends, family, and acquaintances happen to have enough money to help you fund your business, they may be a liability rather than an asset. They may want you to employ your lazy cousin Nick. They may demand free goods and services. They may ask you for a million favors in return. They may be so worried about their investment that they call you for reports every day (I hear about this one a lot). Think about this carefully before taking an investment from a friend, family member, or acquaintance.

If you are one of the few that does have a business that meets the potential criteria of venture capitalists, it is just as hard to get funded. Venture capitalists receive hundreds to thousands of business plans for

review every year. They dismiss many that are received over the transom; that is, plans that aren't introduced by someone that they know and that can vouch for them. So, if you are not in the inner circle of the venture capital community (and if you need the money, you often aren't), your plan may not even get glanced at, even if your business has merit.

If you decide to forgo taking on an equity investor, you may decide to go the loan-taking route. This isn't easy either. It may be hard to find an attractive loan without connections. Furthermore, because your new business doesn't have major assets, most lenders will want you to guarantee the loan with your house or other major collateral, which adds to your personal financial risk. If you don't have appropriate collateral, you may find it nearly impossible to get a loan for the business. Basically, you have to be somewhat successful and have proven your financial abilities to save toward your business in order to get a loan to start a business.

Whatever route you choose, raising capital takes a lot longer than you expect. Take whatever time frame you think it will happen in and multiply that by one-and-a-half to two times as much. If you have budgeted six months, it will probably take nine to twelve months—and if you are thinking one month, wake up, because you are dreaming. This is especially the case when raising money from individual investors. Even when people commit verbally to an investment, it is really hard to get them to write the check. Getting people to part with their money is challenging; people will wait as long as possible to part with their money (just ask the government what percentage of tax returns get sent in at the last possible moment and how many taxpayers file for an extension).

The worst part of raising capital is that it is rarely a one-time occurrence. If you ever want to grow your business (which you should, since the point of having a business is creating equity value and growing your business is a necessary part of that), you need to constantly be raising capital. There are a lot of businesses that start raising a new round of capital just months after they close on a round of financing, given the amount of time and effort that it takes to complete. If you want to open new locations, add employees, add new equipment or machinery, or make an acquisition, these are all going to require capital. Make sure to stock up on lots of Tylenol, because you are bound to endure the capital-raising headache for the long haul.

Financial Statements Aren't a One-Time Event

Once you have capital in the business, you need to continually evaluate your financial statements. These tell a story about your business and the more astute you are at evaluating what these statements are telling you about your business, the better business decisions you will make going forward. You won't be like my former clients (whom you will read about in chapter 24) who didn't understand that they were losing money on a certain product line and shouldn't have expanded their overhead (or even have been in that business).

And you won't be like the managers (whom you will read about in chapter 28) who didn't realize their company was not selling its products for enough money because its financial statements were both incorrect and skewed from of all of the gift certificates it was selling.

You will need to evaluate the potential return on your investment for any new business line you seek to launch or major business purchase you are contemplating. Sometimes, it seems like you need a super-secret decoder ring to really understand everything, but it is critical that you are able to understand the financial story of your business for it to be a successful venture in the long run.

Managing your business from a financial perspective is both an art and a science, not to mention intimidating and ever-present. The financial story of your business is the one part you will want to skip up front, but it is the most important and creates just another job and hat for you to wear when you venture out on your own. If this is not a hat you ever want to wear, then do not think about leaving your day job.

EXERCISE 12

TARGET FOCUS—OPPORTUNITY:

Understanding the Numbers So You Can Evaluate Risk
and Reward for You and Your Venture

Write down the answers to all of the following questions:

1. What assumptions are you making that will drive your financial model? Some examples of the many assumptions

you may make include:

- How many customers will you be selling to?
- How long will it take you to make sales?
- How many repeat purchases will you have in what time period?
- What are the costs of the goods or services you will be selling?
- What kind of administrative expenses will you have to start and continue on an ongoing basis?

You may want to consult with someone experienced in accounting and financial models to make sure you have thought through all of the assumptions.

2. Are your assumptions realistic? To evaluate this, review each assumption in context. For example, if your potential market has one million people and you have to reach 990,000 of them to start turning a profit, then your model probably isn't realistic.

For these two items, your answers will help you evaluate the viability of your business model as it stands now and also assess later on whether the upside potential is worth the risks you will be taking. If you find the business model isn't viable or doesn't create enough rewards for the risk you bear, you can either try to revise the business model so that it becomes viable and creates the right risk/reward balance, or discard the business model altogether. When you have a business model you feel is worthy of evaluation, you will later put the potential financial and qualitative rewards of the opportunity on the "rewards" side of your Entrepreneur Equation.

3. How much money do you need to start and run your business for two years?
4. Do you have the amount of money required by item 3? If so, are you comfortable with risking all of it?
5. If you answered no to either item in number 4:

   - How much money do you need to raise?

- Who are you going to raise the capital from, and how much “skin” will you have in the game?
- Are you going to seek equity (giving up a portion of the ownership of your business), debt (creating an obligation for you to repay and perhaps having to guarantee the debt with a major asset that you own), or both?
- What are the pros and cons for your accepting money from each potential source of capital?
- How does raising money affect the risks and rewards of starting the business?

6. Will you have enough money to live on while you start and run this business (for at least a year-and-a-half to two years)?
7. If you answered no to item six, or if something unexpected happens, if you have to choose between paying your personal bills and your business bills, what will you choose?
8. How much do you need to save to have enough money to live on and fund the business?

Use the answers to items 3 through 8 to assess whether you would be better served by waiting until you had more money yourself to invest in the business. Undercapitalizing a business will set you up for failure. If you are raising capital, evaluate what impact (both financially and qualitatively) accepting that capital has on your risks, issues, and potential rewards to assess the risk and reward balance for you. Later, you will put any risks, financial or otherwise, on the “risks” side of your Entrepreneur Equation later.

ENDNOTES:

1 Norm Brodsky and Bo Burlingame, *The Knack* (New York: Portfolio Hardcover, 2008), 75.

21

The Most Competitive Time *Ever*

THERE HAS NEVER BEEN a worse time to try to start a business. Why, you ask? Because there has never been a time in history where there has been more business competition. *Ever*. We have come off one of the most innovative centuries in all of time. Virtually everything imaginable, useful or not, has been thought of, as well as at least a dozen derivative products or services for each innovation. Pop on over to the U.S. Patent and Trademark Office website at www.uspto.gov and take a look through the registrations for patents, trademarks, and servicemarks for new product innovations, brand marks for goods, and brand marks for services, respectively. Think of anything you can imagine and then look at how many patents and trademarks have been filed related to that topic. It is a staggering amount that will make your head spin.

We have more choices for every product and service you can think of than we will ever need. From hamburger joints to toothpaste to child care options, we have myriad choices for everything we want, everything we need and even for things we don’t give a crap about. Plus, because historically there has been no screening process for entrepreneurship, all kinds of people jump into business. While it is very difficult to make a business succeed, it is really easy to try and start one.

For anyone legitimately trying to start a business, the competition faced by entrepreneurs today creates all sorts of issues. For one, novelty isn’t going to carry your business the way it did fifty years ago. With the perceived ease of trying to start a business, even if you come up with a somewhat novel idea, the chances are that there are dozens of people working on the same thing or something that is similar. If not, the moment you launch your business, there will be dozens of imitators—and, if there is any hint of success, hundreds more.

Your business competes for customers' time, attention, and money against indirect competition as well. If you come up with a new food product, you are still competing against the tens of thousands of existing food products out there. Even if your food product is slightly different, it is still food and has to compete with all of the other food choices, because there are only so many occasions each day that people eat and only so much money they will allocate to food.

If the companies you are competing against are good competitors, this is bad for you. They will be slugging it out with you for market share on a daily basis. You will have to innovate at lightning speed in every aspect of your business because there will always be at least one business right there (and likely multiple businesses) trying to steal your customers and your market share. This may include larger businesses that have more capital, more resources, and a better brand name than you.

You may think that a large company wouldn't bother competing with a small player; however, this happens all of the time and is happening more frequently as competition has increased. Instead of just competing with their larger competitors, big companies will sometimes go "down market" and compete against small competitors.

This happens in every industry and across industry segments. When my husband and I started Intercap Merchant Partners' investment banking practice, we started an investment bank to fill a void in the market. At the time, most large investment banks wouldn't take on mergers and acquisition transactions under $75 million in value, because smaller transactions didn't generate the minimum fees required by the larger investment banks to take care of their staff and overhead. Most large investment banks had a fee minimum of at least $1 million per transaction and wouldn't even consider something below $500,000. Therefore, smaller and middle market clients whose deal sizes didn't reach that range had to find other merger and acquisition advisors, many of which didn't have the same expertise as the large investment banks. Having been trained by and using the same standards as large investment banks, Intercap Merchant Partners set out to service those lower middle market businesses. We could offer bulgebracket investment banking capabilities for those smaller businesses whose deals were in the $20-50 million value range that netted fees of $250,000 to $500,000 per transaction.

This was a great differentiator for a small period of time. However, once the large investment banking niche got ultra-competitive, the large investment banks started coming after our niche. Where before they wouldn’t touch deals that had a potential fee under $500,000, now they were vigorously pursuing those exact transactions. So, instead of competing against Joe Schmo advisory firm, Intercap Merchant Partners was now competing against Banc of America Securities (the very firm we had left years earlier and which previously would have never thought of doing the size deals we were doing). That is how quickly the marketplace moves, and if there is money to be made, lots of competitors, including some formidable ones, will be flocking there.

This example with Banc of America Securities is not an isolated incident. When a big company’s growth opportunities start to slow in its traditional marketplaces, it will go after the smaller niches. There are many instances of this, such as mega-retailer PetSmart going after the traditionally mom-and-pop pet-lodging and pet-watching niches with its PetSmart PetsHotel and Doggie Day Camp services. We all have seen Hershey’s go from a mass-market chocolate manufacturer to the ultra-premium artisan chocolate niche with its acquisitions of upscale chocolatiers Scharffen Berger and Joseph Schmidt. If there is a growth opportunity, even a small one, all potential competitors will be aware of it and most likely, some will come after it.

Bad Competitors Are Bad for You, Too

You will face a lot of strife from good competition. However, bad competitors can be even worse. Bad competitors can screw up a market opportunity for you as much as, if not more than, good competitors. Bad competitors can give consumers such a bad experience that they never want to try a similar good or service again. Customers will trade to an indirect competitor’s product or service simply because you are guilty by association of serving the same niche as your bad competitor. For example, if you make a natural cola and a potential customer tried one of your competitor’s products first, which happened to taste like dirt combined with

vomit, the customer may get a bad association with natural cola in general and never try your superior product. If a potential customer was scammed by a company that supposedly provided debt consolidation services, even if your debt consolidation company is legitimate and effective, you may be lumped in with the scammer in the customer's mind. Bad competitors poison the well, which can spell real trouble for you. With the ease of starting businesses, this is a growing concern for aspiring entrepreneurs.

Wade Beavers and Joe Sriver of DoApp couldn't believe how fast a market can move and change. Their team began to create concepts for iPhone applications ("apps") prior to the launch of Apple's App Store. By the launch date, they had conceptualized four hundred and fifty different apps. Wade estimates that somewhere between eight to twelve weeks after Apple's launch of the App Store, 90 percent of those apps had already been created by competitors. He says, "You may think your idea is brilliant, but the chances are that someone has already thought of it. Take for example our 'Whoopee Cushion' app, which was initially banned. By the time it was approved, there were already fifty other flatulence apps available!"

While the market may move quickly in the technology industry, every industry is exposed to the same issues, at varying degrees of speed. Business is a daily war, and you have to defend your turf against the competition. There is no room for complacency or taking a break. Just as you celebrate a victory, you have to get back in the trenches, as there is always someone trying to one-up you.

Hey Mr. Customer, I'm Over Here ...

But to celebrate a victory, you have to reach your customers. Competition is so fierce that it has become very difficult to reach your target customers in the first place. The amount of business products in any given market is staggering. Whether you are targeting end-consumers or businesses, mass market or a niche, people are hard to find, and it is even harder to get their attention once you do find them. There is so much noise in the marketplace that every business competing for your customers' attention makes it that much harder for you to get your message across.

THE AMOUNT OF BUSINESS PRODUCTS IN ANY GIVEN MARKET IS STAGGERING. WHETHER YOU ARE TARGETING END-CONSUMERS OR BUSINESSES, MASS MARKET OR A NICHE, PEOPLE ARE HARD TO FIND AND IT IS EVEN HARDER TO GET THEIR ATTENTION ONCE YOU DO FIND THEM.

Think about your daily life and how many marketing messages you see every day. You get flyers in the mail. You see billboards on the sides of roads, on buses, and at train stations. There are commercials on the radio and television, and in magazines and periodicals. If you have an email account, no doubt you have received email from companies you have done business with, as well as those who are spamming you, peddling everything from advanced degrees to penis enlargements. Online, banner ads, pop-up ads, and advertorials litter the web. Now, for all of those advertisements and marketing pieces you have seen, how many do you remember, and how many have encouraged you to try a product or service? The answer is probably a tiny fraction of what you have been exposed to. In fact, you and I see so many marketing pieces each day that we are starting to become desensitized to marketing in general.

I know our company receives all sorts of mail solicitations, many of which have no relation to our businesses whatsoever. We get glossy brochures on everything from recycling programs and corporate gifting to janitorial services and venues to host client events. We get letters, phone calls, and emails, as well as advertisements disguised as flyers, keychains, mousepads, magazines, coupons, gift certificates, and more. I am sure that there are probably some gems hidden amongst all of the rocks—that is, services and goods that we actually want or need—but most of the solicitations get put into the circular file (a.k.a. the trash can) because we simply don’t have the time to go through the sheer volume of solicitations. These advertisements have become so omnipresent and intrusive that everyone is predisposed to either say no, or totally ignore your message in the first place, even if you have a good or service with merit.

And on top of the noise in the market, your potential customers are more fragmented than ever, so it is hard to target them in the first place. It may have been obvious twenty years ago to target a certain business group through an industry conference. Now there are dozens of smaller conferences servicing the same industry. Instead of going to one big event, there is an event in every major city twice a year. Consumer products companies used the television for advertising when there were only a few channels and few distractions. Now people are spending less time watching television, and their viewership is split among hundreds of channels. Finding the customers is a challenge, and then, if you do find them, you may not be able to get their attention. Not exactly what you would call "fun," right?

A World Wide Web of Choices

Many aspiring entrepreneurs don't think through the issues regarding competition and reaching customers before starting a business. For example, one entrepreneur (I will call her Katy) who was referred to me made custom purses. I asked her how she was planning to sell them. Katy told me she'd do it through websites like eBay and on "the internet." I then asked her how the customer was going to find the purses on eBay and the internet.

To make my point, I went straight to eBay. When I typed "purse" into eBay's search box, there were 229,888 listings that included the word "purse." I am sure it varies a bit depending on when you check the site, but there are still hundreds of thousands of purses on eBay every day. I then narrowed the eBay search by putting the more descriptive "black purse" into the search box and that narrowed it to a mere 34,067 black purses available on eBay. Switching from using the search function to the category function, there were 195,978 listings in eBay's purse-equivalent category called "handbags and bags."

Going to Google was even worse. The word "purse" returned 32.7 million results and "black purse" returned 1.13 million results. Katy could

put the purses on eBay or on her website all day long, but how the heck was anyone going to find them?

Clearly what Katy didn't realize is that on eBay or anywhere else online, if a business wants a customer to be able to find its products, it needs to be very specific. Most of the time, the search for a black purse is done with a specific brand name attached, such as "Louis Vuitton black purse" or "Gucci black purse," or even more specific with a style attached like "Coach black soho ski hobo purse." This is to hone the search results to a more reasonable number of options.

Unfortunately, nobody has heard of Katy's new business, so nobody will be typing "Katy's black purse" into any search engine, and certainly nobody is going to take the time to browse through thousands of results and just magically discover Katy's purses. She has to build her brand first and that, given all of the competition and noise we have been talking about, is neither easy nor inexpensive to do.

So, if you like the idea of never-ending competition with major competitors with tons of resources and bad competitors who could damage your reputation, all to gain the attention of customers who are hard to find and even when you do find them they are so overloaded with information that they ignore you anyways, you are going to love being in business. If that doesn't sound fun, start heading in another direction.

EXERCISE 13

TARGET FOCUS—OPPORTUNITY:
Do You Have a Competitive Advantage?

Write down the answers to the following:

1. What other businesses are you or will you be competing with either directly (i.e., providing the same types of goods and services) or indirectly (i.e., providing a different type of goods or services to the same target customers, like movies and video games both competing for customers' entertainment spending)?

- If you are having trouble identifying competitors, you can ask friends, visit stores where similar products would be sold, and search for key words related to your business in Google, among other research options.

2. Write down next to each competitor how your business will compete with those businesses. You should include what you will bring to the table that is innovative and difficult to replicate in terms of:

   - Value
   - Customer service
   - Relationships
   - Functionality
   - Marketing
   - Intellectual property
   - Technology
   - Or any other competitive advantages that would be hard for another competitor to reproduce

3. How easy is it for another company to enter your business segment and compete with you?

A large number of competitors, ease of entry into your industry segment, and fewer competitive barriers for your opportunity will make it more difficult to succeed and decrease the upside potential of the opportunity. Use your evaluation of the competitive landscape for your business model to assess whether your assumptions about your business are realistic. You may need to adjust the business model to make it more viable and attractive before you get to your risk and reward evaluation.

RECOMMENDATION

If you do decide to move forward and want to learn about the slow but effective process of building relationships with your customers, I recommend *The Contrarian Effect* by Michael Port and Elizabeth Marshall.

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Too Smart for Your Own Good

THE WEIRD THING is that sometimes, the more successful you are and the more talents you have, the harder it is to run a business. This may seem counterintuitive. If you are super smart, motivated, and talented, then you would logically be the best possible candidate for entrepreneurship, right? Unfortunately, this is often not the case because you are always going to be better at doing every job than your employees.

The "smart people" problem starts back in school—definitely in college, sometimes in high school and depending on your school system, even as far back as junior high, when teachers first assign the dreaded "group projects." Knowing the 80/20 rule (80 percent of all work is done by 20 percent of the people), what do you think happens in every group project? The smartest and most talented people in each group do the lion's share of the work. They don't want to risk their grade in the class by dividing the work equally, and just hoping that Timmy (the guy who is absent from class two days a week on average and sleeps through class on the other three days) does his part well, if he remembers to do it at all. In school, there isn't any benefit in trying to get Timmy up to speed quickly. Forget that. No, the smart people just take over and do the whole project themselves.

And thus begins the smart people work cycle. The smartest people do just about everything better than most everyone else. They write better, plan better, reason better, and sometimes, even look better. They are better, until it comes to running a business. Then they are not better—they are screwed. There are only twenty-four hours in each day, and a person does need to sleep, eat, shower, and do certain other things. So, each day this smart person tries to do everything himself, because he can't stand someone else doing a job badly. Then, he is stuck with the one-man-band "job-business" with no way to grow.

SOME OF THE SLACKERS—SOME OF THE PEOPLE WHO KNEW BEST TO SURROUND THEMSELVES WITH SMART PEOPLE WHO WOULD DO THE WORK—ARE BETTER-SUITED FOR ENTREPRENEURSHIP THAN THE SMART PEOPLE THEMSELVES.

It is interesting to note that some of the slackers—some of the people who knew best to surround themselves with smart people who would do the work—are better-suited for entrepreneurship than the smart people themselves. They know how to delegate and sometimes, how to manipulate other people into doing things that they don't want to do.

Ideally, the smart people would just be able to convey their talents. But since the smart people are so used to doing everything themselves, they don't learn the key skills to make their businesses successful, including automating and delegating as many tasks as possible. As a smart person, you need to use your smarts and talents to boil down their essence in an easy-to-follow format that even a monkey can replicate. (See "Recommendation" at the end of the chapter for a book on this.)

Also, smart and talented people often have a flair for the unusual, complicated, or different. They don't like to follow the KISS principle (Keep It Simple, Stupid), which is required to make a business succeed. If you think of the assembly line in a fantastic manufacturing plant, or the global presence of McDonald's, they both seem complex, but in reality, they are a series of incredibly simple functions. Every single task is broken down into easy-to-follow steps. The assembly line worker repeatedly performs a few tasks that are specifically defined. So does the McDonald's cook, cashier, and drive-through order taker. There is little input from these individuals, as everything has been standardized for them.

In fact, some of the largest, most successful businesses in the world are staffed not by the smart people but, in large part, by regular, average, and sometimes, stupid people. These successful entities have just a few people who are smart enough to standardize, automate, and delegate the majority of the tasks in a way that can't be screwed up by their average employees.

So, being smart or talented isn't going to help you unless you can use those smarts to figure out a way to simplify those tasks that will make a business successful. This isn't easy, because it goes against everything you have ever done and is counter to how you were taught to think. However, it is necessary for a business to succeed, and it is why smarts and talent alone don't predict entrepreneurial success.

The Smarter You Are, the Bigger the Opportunity Cost

The other issue with the smart people starting businesses is that smart people have the most to lose. The smarter you are, unless you have the social graces of a wild ape, the more options you have available to you. You have the ability to make a lot of money in a variety of fields and have room in your career for promotions and raises. This means that when you start a business, you have a lot more to risk than someone who makes less money and has fewer career options. This is often referred to as the "golden handcuffs" dilemma. Because you have more to risk, this means that you need to have a business opportunity that is going to provide an even bigger reward for it to be worth it to you.

If you currently make $250,000 a year (or have an opportunity to do so), your business is going to have to be five times more successful than the business of someone making $50,000 a year to get the same return. Additionally, it is a lot harder to establish a business that will double your yearly profit when you make $250,000 a year than if you make $50,000 a year.

So, with the most to lose, a wide range of other options available, and the penchant for more intricate, complex endeavors, don't be surprised when the valedictorian of your high school keeps his day job and it is one of the more average students that finds success (or at least tries to find success) in his own business.

EXERCISE 14

TARGET FOCUS—OPPORTUNITY:
Is Your Business Scalable?

Write down your answers to the following questions:

1. Does your business model require you to be doing the bulk of the work because of your "own special flair"?
2. Can you simplify the business to teach others to do what you do and still provide outstanding value to your customers?
3. Can you automate your business process?
4. If you delegate work, can you still manage and stay aware of what others are doing (i.e., not abdicate when you delegate, not out-ofsight, out-of-mind)?

If you answered yes to question one and no to any of the other questions, your business is not scalable and will fall into a jobbie or job-business category (as discussed in section 2A). At this point, you may want to retool your current business model. If you are set on evaluating this particular business model as it stands, use your awareness of the additional risks associated with jobbies and job-businesses as part of your evaluation of the overall risks and rewards of the business.

RECOMMENDATION

To gain some different perspectives on and insights into automating and delegating in your business, you may want to reference Tim Ferriss's *The 4-Hour Workweek* and again, Michael E. Gerber's *The E-Myth Revisited*.

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Buying a Business Is Acquiring Someone Else's Problems

I hope that you now have a better picture of the unique risks and issues associated with starting or franchising a business. Getting a business going is the most difficult part of a business's lifecycle, one that most new businesses do not survive. So, logic may tell you that the path to minimize that risk is by circumventing the start-up issues through buying an established business. Sure, it costs more money up front, but an established business has a track record, vendor relationships, and a customer base. It has employees that already know what they are doing. Plus, you can get out of doing a lot of those annoying start-up tasks. So, I know what you're now thinking: perhaps buying a business is the easy path to entrepreneurship. Right? Wrong.

Buying a business can equal buying someone else's problems. Here's the thing about people, business owners included: they are greedy. If a business is doing well and expected to continue to do well, most entrepreneurs won't want to part with it. I have advised dozens of businesses to sell when they are nearing the peak of their growth rate, knowing they will get a premium price for selling their business at that time. Almost every time (I would say at least 90 percent of the time), the business owners don't sell when things are going well and they have visibility on future growth, because they think they will be missing out on more value (this is often referred to as "leaving money on the table"). The greedy entrepreneurs want to wring every last dime out of the business, so they convince themselves if they can wait just another year, their business will be worth more, and then they will sell it. Then, the next year comes, and they go through the same rationalization. They risk their their business encountering a blip just to get a few more dollars in value each successive year.

Ultimately, they see this business blip (or perhaps more than a blip, such as a total catastrophe) coming and *then* decide to sell (which, of course,

always means that they end up getting a lower value for the business than they would have received if they had sold it years earlier, but that is a subject for a different discussion). What this means is that when a business is up for sale, most of the time it is because things are going south or the writing is on the wall that something negative is on the horizon that allows for the entrepreneur to decide it is an appropriate time for him to cut bait. So, if you're considering buying a business, you should just assume going into your evaluation process (which is called the "due diligence" process) that you are going to be inheriting someone else's issues, whether they be minor, medium, or major.

When an entrepreneur puts his business up for sale, his job is to sell it. He puts on his salesman hat, as it behooves him to portray the business in the most positive light possible. He (and potentially his advisors) will tell you that the business is only for sale because of some very believable reason; it could be that he is retiring, moving, taking care of a family member, or some other story that may be plausible or even part true, but is also part of the marketing spin of the selling process. However, if the entrepreneur really loved the business and thought it was going to continue to grow and increase value, would he be walking away entirely or finding some way to keep his hand in the cookie jar?

When you meet the owner, you may be shocked that the business could be successful at all under his management. Your ego may tell you that the current owner is a blowhard, nincompoop, or complete airhead and that you would be able to run the business much better than he did. If someone like him could achieve the current level of sales, think of all of the things you could do to make it grow even more!

However, despite the fact that he may not be the brightest bulb in the shed, there is one very important thing he has that you will never have before purchasing the business: *full information*. As I have said, information is power, and in relation to this new business, you are at a significant disadvantage in the area of information.

The current owner knows a heck of a lot about the business. He knows where the skeletons are buried. He knows the status of the relationships with the vendors. He knows how much of the business is reliant upon him and his connections (and how hard it may be for you to take those over once he leaves). He knows which employees do good work and which do not, as

well as how much productivity comes from the work he does versus that of his employees. He knows which employees will hate the fact that there is a new owner and will probably quit after the business is sold. He knows which systems are out of date, which equipment is on its last legs, and what his competitors are up to that jeopardizes the company's very existence.

INFORMATION IS POWER, AND IN RELATION TO THIS NEW BUSINESS, YOU ARE AT A SIGNIFICANT DISADVANTAGE IN THE AREA OF INFORMATION.

There are also things he probably doesn't even realize about his own business that he couldn't convey to you even if he wanted to. Whatever the case, these are things that you will not know and are hard to evaluate through due diligence and the inspection process.

The owner is then going to put a marketing spin on whatever questions you do ask. He may not out-and-out lie, but his objective is to sell the business, so he will find creative ways to answer the tough questions. If you don't ask certain questions, he won't feel compelled to remind you that you may want to ask about why payment terms with their largest vendor have changed three times this year or how risky it is that 70 percent of the company's business comes from one customer (which happens to be the business owner's brother-in-law).

Also understand that you are never going to be able to get answers to all of the questions you have, nor get access to every piece of information necessary, as the sale process is usually confidential—meaning, the top vendors, customers, and employees that you would love to interview you can't (or at least not fully) because conversations with them could put these relationships with the company in jeopardy if these important entities believe that there is a sale process going on. So, you will always be at an information handicap when evaluating the business.

Even if you had all of your questions answered to your satisfaction—and you asked the right questions—you still will not know all of the pitfalls and issues. Maybe the employees won't like you or won't feel like they need to work as hard for you, whom they don't know, versus the man they have

been loyal to for the last decade. Maybe the existing systems aren't something with which you are comfortable. The vendors, customers, or even the landlord (all whose approval may be required to transfer existing contracts like vendor contracts, leases, and more) may decide that it is a good opportunity for them to try to renegotiate terms or try to hold the business "hostage" in other ways (this happens all of the time during business sale processes). And just maybe the business has been successful only because the owner got lucky and that luck is about to run out.

Buying a Business Is Not a Shortcut to Entrepreneurship

You need not look any further than your local newspaper (okay, maybe a little further, since a lot of those are going out of business too; so let's say any news outlet of your choice) to find stories about businesses that have been damaged by making bad acquisitions. The biggest, best run, and most well-funded companies in the world have stumbled over and over again from buying competitors, so to think that you can just buy a business and it will be a cakewalk is simply naïve.

Additionally, just because you are buying a business rather than starting one from scratch doesn't mean that the other business operational issues that we have discussed don't apply. You still have the same business problems. You still have to answer to your customers; in this case you must hope that the customers you "paid for" when buying the business don't use the sale of the business as an opportunity to leave or renegotiate terms that put the business in a bad position. Likewise, as the new owner, you have to hope that the employees you "paid for" when buying the business don't use the sale process as an opportunity to quit, demand a raise, or slack off. You still need to be able to multitask and wear different hats. You still need to know everything that is going on because it is still your money and time on the line.

WHEN YOU BUY A BUSINESS, IT IS NOT A SHORTCUT TO ENTREPRENEURSHIP. YOU STILL HAVE COSTS AND

EXPENSES. YOU STILL HAVE TO MANAGE CASH FLOW. YOU STILL HAVE TO WORK BECAUSE BUSINESSES DON'T RUN THEMSELVES.

When you buy a business, it is not a shortcut to entrepreneurship. You still have costs and expenses. You still have to manage cash flow. You still have to work because businesses don't run themselves. Once the previous owner leaves, he doesn't really owe you anything. You then have the delightful task of wearing someone else's shoes and not only trying to fill them but trying to run in them as well. You still need to be able to do all of the things a business owner does, but now you may be even more financially invested in the business since you had to pay for what you believed is the "going concern" value of the business plus additional "goodwill," which may be many more times than what it would cost to start a similar business.

Your day job is looking better and better, huh?

EXERCISE 15

TARGET FOCUS—OPPORTUNITY:
Assessing an Acquisition

If you are seriously considering purchasing a business, make sure that you can answer the following questions. You will probably want to engage one or more experienced service providers with substantial knowledge of the acquisition process to help with due diligence (such as an investment banker, lawyer, and/or accountant; the first two can also help with the process and negotiations). The key points are *experience* and *knowledge*: you don't want your Uncle Ira, who happens to be a divorce lawyer, to advise you regarding an acquisition.

Ask yourself the following questions:

1. Which intangibles are you paying extra money for? How are you valuing them?

2. What assumptions are you making about the business?
3. How will changes in the assumptions affect the value of the business and, ultimately, the value you are paying?
4. Can you put a mechanism in place (such as an earn-out provision, where the purchase price is tied to the business reaching future milestones) to help mitigate some of the downside risk?
5. Do you need to buy this business? What are the competitive benefits of the business that would be more costly and difficult to replicate with a new business?

Your answers (and advisors) will help you to define the risks and opportunities associated with buying the business, which you can use to create your Entrepreneur Equation.

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Just Because You Won the Genetic Lottery Does Not Mean You Were Born with an Entrepreneurship Gene

HALF A CENTURY AGO, a family business guaranteed to the children growing up in such a fortunate family a specific life path and a somewhat certain future. Businesses started by entrepreneurial family members were often a logical place for the whole family (or at least a good part of it) to work and learn. Many offspring worked in the business in some capacity as they grew up. Many kids even passed on pursuing higher education and went right into the family business. These kids started low on the totem pole, learned the ins-and-outs of the business as if it was their schooling, and, eventually, climbed up the familyowned corporate ladder. As the older family members were preparing to retire, the younger generations were the obvious successors to the business. Family businesses typically stayed in the family and were passed down from generation to generation.

A whole lot has changed in our country's recent history. This has changed the business and competitive landscape, as well as the mindset of the privileged and the opportunities for entrepreneurs.

Growth and Opportunities

Back in the day, entrepreneurship had a different flavor than it does today. There were far fewer business entities. There were new ideas to be implemented around every corner and there was a lot of running room, making the creation and growth of a business totally different from what it is today.

Think of what we have access to today. If you want a cola, under the Coke brand alone you can have Coca-Cola, Coca-Cola with Lime, Diet

Coke, Diet Coke Plus, Diet Coke Black Cherry Vanilla, Diet Coke with Lemon, Diet Coke with Lime, caffeine-free Coca-Cola, caffeine-free Diet Coke, Coca-Cola Zero, cherry Coke, cherry Coke zero or Diet cherry Coke. If you don't like Coke, you could have a Pepsi ... or Diet Pepsi, Pepsi Wild Cherry, Pepsi Natural, Pepsi Max, Pepsi One, Diet Pepsi Wild Cherry, Caffeine Free Pepsi or Caffeine Free Diet Pepsi. If you don't like either of those brands, you can choose to have an RC Cola or store-brand cola—or even an organic cola. That doesn't even include other carbonated beverages from root beer to cream soda to lemon-lime, if you perhaps want a soda (or *pop* as us Midwestern folks like to call it) but not a cola. If you expanded to beverages such as flavored waters, juices, smoothies, and more, it would take me at least five pages to list out all of the options to quench your thirst!

We have too many options now, which means that the business environment has changed from innovating products and services to innovating cost reductions, marketing, customer relations, and distribution strategies. These tasks are not typically viewed as creative or fun the way idea and product innovations are; they are more of the "blocking and tackling" aspects of business. This may be less appealing for many potential entrepreneurs and certainly requires a different set of competencies for the business.

A key reason that many kids historically went into the family business is that there were not a lot of other well-paying options. Higher education, especially at prestigious universities, was available only to the toniest of families. So the family business became the default option for many kids. Now there are myriad options available to children for their futures. Education is widely available and strongly encouraged. Services firms have exploded, creating high-paying, challenging career paths. The world is a young person's oyster in terms of possibilities, so the family business is sometimes not that interesting.

If the young person is not interested in the family business, she is not going to be passionate about it. And having a dispassionate entrepreneur is a clear starting point for failure.

PARENTS HAVE ENGAGED IN LOTS OF TOUCHY-FEELY B.S. THAT ELIMINATES MOST COMPETITION AND

CREATES A SO-CALLED FEEL GOOD ENVIRONMENT... . WHEN CHILDREN DON'T LEARN TO COMPETE, STRIVE TO IMPROVE, OR DO MORE WORK AND PREPARATION FOR THE NEXT TIME, THEY DON'T DEVELOP THE CRITICAL SKILLS THAT ARE NEEDED IN THE REAL WORLD.

The Trophy Generation

Another thing that has changed, and continues to get worse, is the way that a lot of kids are raised. Parents have engaged in lots of touchy-feely B.S. that eliminates most competition and creates a so-called feel good environment. If you go to a swim meet, the winner isn't the only one to get a trophy. No, not even just the first, second, and third place finishers get a trophy. Some genius decided that *everyone* in the swim meet should get a freaking trophy for participation. Supposedly, this way nobody feels like a "loser."

This all sounds great in a sunshine-and-sprinkles environment, but I live in reality. So does business. When children don't learn to compete, strive to improve, or do more work and preparation for the next time (because, hey, why should they if they are going get a trophy anyway?), they don't develop the critical skills that are needed in the real world and certainly in the business world.

Trophy kids do not make good entrepreneurs and business managers. There are no trophies for everyone in business. There are no bonus points for participation if you don't "win" against your competition. The special prize for that is called *bankruptcy*.

You don't want someone with the "Hey, I gave it a good-old college try" attitude running your business. You want someone scrappy who is going to find a way to make it work, even in the face of adversity. Therefore, non-competitive, touchy-feely people shouldn't be running businesses, even if their parents want to hand it over to them.

Mergers and the Capital Markets

One reason that businesses were historically passed down from generation to generation is that there weren't enough ways for the family members to get the value back out of the business that they had spent years to create. Creating significant equity value, they logically wanted to be able to have their families benefit from that value. The easiest way was to have the business continue in their family to their benefit. Selling for a premium price wasn't really an option. There were no private equity firms, there were few competitors with the resources to pay a premium price for the business, and other suitors may have not had access to capital to purchase a business for a desirable (to the company) valuation.

The capital markets and access to financing have significantly changed the game for family businesses. With the explosion of capital availability, there are now other viable options that, frankly, hedge families' risks much better than a succession. These range from more aggressive lending for potential buyers (strategic or otherwise) to private equity firms doing sales in stages (such as recapitalizations) or bringing in their own management teams. Depending on the size, financial position, and growth history of the company, among other factors, a company can garner a price of many multiples of its profit during a sale or merger.

By selling the business, older generations can put a much stronger guarantee on future generations' success because they have locked in a price and secured cash for their heirs, which can then be invested through diversification (in simple terms, not putting all of their eggs in one basket). If you hand over the company and it goes south, then the heirs have nothing. If you hand over the cash, they can invest it in a variety of investments ranging in risk to preserve capital or to pursue opportunities for growth.

If you don't believe that the risk is that high in passing down a family business, keep reading.

Just because you won the genetic lottery doesn't mean that you got an entrepreneurship gene passed down to you. In fact, if you have a fairly well-off family, you may be more averse to risk, as you have more on the line.

Another issue is that parents like to throw their hopes and dreams upon their children. Some want their kids to follow exactly in their footsteps; others want their kids to have everything they wanted but weren't able to achieve for various reasons. This may create pressure on you from your family to take over the business. But if you truly don't want to—if you are not interested in the industry, the business, or being an entrepreneur or business owner (or at least of that particular business) —don't let your parents or other family members push you into it. They had their opportunity to live their lives; you need to do what you want and are meant to do, or you will perform that job at a level somewhere less than 100 percent. Businesses need 100 percent effort. Have that uncomfortable conversation up front. As awkward as it may be, it will be a lot less awkward than having a conversation down the line after you have squandered a good portion of the value that your family has worked decades to create.

Widgets Are Different From Kidgets

Let me provide you with a solid example of why you shouldn't go into business just because it was in the family. Twenty-five years ago, a very smart and determined gentleman (I will call him Mr. X) had a passion for producing a product (to further protect his identity, I will call the product a widget). He was really interested in the widgets and spent time carefully crafting his first ones. These particular widgets were sold to specialty retail stores and marketed to adults (no, they weren't "adult products").

Mr. X was a thoughtful, methodical, and conservative man. He continued to build more widgets. He continued to sell to stores that allowed him a high margin for the product. He was able to modify some of the widgets slightly, repackage them, and create new products that appealed to new customers. It was a fantastic business that kept growing.

A few years in, it was clear that the widget business was a good one. It has some fantastic attributes, carefully cultivated by Mr. X, including:

- *Very high margins*. For each product sold, the company had a gross margin (wholesale price less the direct cost of goods sold) of more

than 50 percent. This is a fantastic margin in any industry, and it made Mr. X's widget enterprise quite profitable.

- *Ideal retail relationships*. The channels in which the widgets were sold had very attractive qualities. In addition to the margins on the products, the products were sold firm; that meant that they were non-returnable by the retailers, taking away the prospects of major inventory risk from the company. Also, the retailers had set ordering cycles, which, in conjunction with the products being fairly easy to assemble, meant the company wasn't required to carry a lot of inventory.
- *Evergreen product lines*. The type of widgets that the company created were not fads or trendy products; they were tried and true and could generate sales year in and year out.
- *Small staff and overhead*. The company's products were relatively easy to produce, not requiring a lot of production support. The retail relationships were manageable by a tight staff. The small inventory allowed the company to exist without needing extensive warehousing operations.

The widget business was a nice, profitable business. It grew into the high-seven figures in revenue and also generated a seven-figure profit each year.

As time went on, Mr. X knew he eventually wanted to retire. He had two adult children, a daughter who was a stay-at-home mom and a son who was an advertising executive. He decided he would pass on a portion of the stock in the business to both of his children and tap them to come on board.

The daughter didn't want to join the workforce, so she offered up her husband, whose professional experience was in a different industry, to join the company's board of directors since, as a family unit, they were now substantial stockholders.

The son, X Jr., was tapped by his father to become CEO. X Jr. wasn't really interested. He was extremely creative and loved advertising. He particularly enjoyed advertising in the kids' products arena. His father's company made widgets marketed to adults, so it really wasn't a great fit for him.

After many months of conversation, a little something called guilt won out. Mr. X didn't want his legacy to die, and so he convinced X Jr. he could

take this profitable company to the next level. X Jr. came on board, about twenty years after the company's founding, as its CEO.

So, what happened? Here is the summary version. X Jr. couldn't shake his enthusiasm for the kids market. He figured that maybe there was a way to make widgets directed at kids. He decided to develop a kidoriented widget (I will call this the kidget) as the company was already great at widgets and he wanted to be involved with kids.

However, X Jr. was not particularly strategic, and while widgets and kidgets seemed similar on the surface, he didn't appreciate that the businesses were entirely different. Sales of kidgets took off, but X Jr. didn't fully understand that:

1. Kidgets needed to be sold to a different channel, which meant a difference in the business model. Instead of selling them to the specialty retail channel (who weren't particularly interested in kidgets), kidgets were sold to mass retailers like Walmart and Target. Because a large percentage of the kidget business was sold through these mass retailers, the business was taking on increased risk in terms of carrying more inventory and having goods that these mass retailers demanded could be returned at their sole discretion.
2. Kidgets, because they were directed at kids, needed to have more bells and whistles to make them attractive and interesting. It cost more to build a kidget than a widget, plus, mass retailers required lower price points. Therefore, the kidget was a substantially lower-margin product line for the company.
3. Because of the more complex kidget product, and the fact that mass retailers had different ordering cycles from specialty retail stores, more staff and overhead were required to make, sell, and warehouse the kidgets.
4. Kidgets, because they were directed at kids, were more of a fad product. Kidget product lifecycles were much shorter than the evergreen widget products the company was used to dealing with.

To X Jr., kidgets were taking off, which was a good thing. Sales grew rapidly, so the company neglected developing more widgets and instead put more resources into kidgets. Over the next several years, overall sales more than doubled, mostly due to the growth in the kidget business. However, these sales came at a lower profit margin; so while the company was

profitable, it was so on a paper-thin, net-margin basis. It was earning nearly the same amount of profits in dollars it did when it was less than half its size and only focused on widgets. That meant that even though the sales were twice as large, the dollar profits were the same, reflecting lower profits on a percentage basis for the company.

Now, it never occurred to X Jr., his board of directors, or other key management that this newer kidget business was creating risks and lower margins. A large percentage (around 25 percent) of the growth was based on the sales of one single type of kidget, a fad that would prove to burn out after a few years. After the banner year of sales, X Jr., oblivious to the risks, recommended that the company move its headquarters to a larger facility to accommodate the huge growth and inventory requirements of the kidget business.

Maybe you can guess what happened next. If you haven't "seen this movie before," two months after the move was complete, the mass retailers decided to restructure their businesses and returned millions of dollars worth of merchandise. The once super-high-growth kidget turned out to be an extraordinary circumstance, and after the fad wore down, it contributed little in sales. And because of its earlier decisions, the company was supporting a huge staff and rent for the new, larger facility—but its sales had declined nearly 30 percent. So the company started to lose millions of dollars. Yes, *millions*.

I had the wonderful "luck" of becoming involved with this particular company right at the beginning of the meltdown. We performed rigorous analysis for the company (the kind of analyses that should have been performed by X Jr. and his team before increasing the rent expense by 300 percent) and found that without the support of the fad kidget, the overall kidget business, although producing more than double the revenue of the widget business, was actually losing money for the company. For every dollar of sales produced by the kidget business, it cost the company more than a dollar to create and market that corresponding item.

Now, this story continues on about how to turn around the business, but that is not the point today. The moral of this story is that the creative, advertising-oriented X Jr. was not cut out to run a business and be an entrepreneur, particularly at that point in time for a business that sold widgets. He didn't have the right skill set, and he didn't have a passion for

the company's core product. By trying to relate the business to his own passions and interests, they ended up with kidgets, which created a lot of sales but no profits and in fact eventually ate up the profits of the neglected widgets.

I also can tell you that this is not a unique story. This is not the first time this has happened, and it's not the last time it will, either. The worst part is that Mr. X thought he was helping to secure his kids' futures by handing over the business to one (and allowing the spouse of the other on the board). He and they would have been much better off selling the business, with the proceeds going to the children so they could invest those dollars and pursue their own dreams, not try to continue to pursue their father's dream.

So, what's the takeaway here? There are other ways for kids of family business owners to have a secure future. Going into the family business may not be one of them. If you are not meant to be an entrepreneur and you don't have the passion, skills, experience, or desire for your family's business, don't let the family pressure you, and don't take it over because you think it is an easy out to slide into an established business. No matter how you slice it, work will be involved, and you won't be able to keep riding on someone else's coattails, even when you are related to those coattails.

EXERCISE 16

TARGET FOCUS—OPPORTUNITY:
Is the Family Business the Right Opportunity for You?

If you are asked to take over the family business, ask yourself the following questions:

1. If the business was owned by someone other than your family, would you apply for the CEO position? Why or why not?
2. What aspects of the business are you passionate about?
3. Do you understand the business?

Your answers should give you some clarity on whether or not you are best served by taking on this business opportunity.

As a secondary exercise:

1. Write down your strengths, skills, and experience.
2. Ask your family members to make a list of skills, strengths, and experience required by the job.

Compare where these two lists match up and where the discernable holes are to help you decide if you are the best person to take over the business and if this is the right opportunity for you.

3 B

Assessing the Risks, Issues, and Rewards of Entrepreneurship

Assessing the trade-off between the risks and issues of starting a particular business, and the potential rewards, is arguably the most critical part of the Entrepreneur Equation. Entrepreneurship's risks and rewards can be both quantitative (savings account stuff) and qualitative (quality-of-life stuff).

Quantitative risks and rewards are financial or numbersoriented, including risks, such as how much money you are putting into the business, and rewards, such as how much money you can make from the business.

Qualtitative risks and rewards, on the other hand, involve intangible issues and risks as well as rewards or benefits. Qualitative risks would include having less time to spend with your family; issues here might be having to spend time doing work you don't like; and rewards could include a shorter daily commute. The qualitative risks, issues, and benefits are obviously more difficult to evaluate as there isn't always an apples to apples comparison.

The most important thing is to find the right balance of risks plus issues versus potential rewards. It is your job to take all of the risks and issues inherent in business ownership and in a particular opportunity, along with your current circumstances, and evaluate if there is enough of a reward. This assessment will help you decide if

a given opportunity (or business ownership in general) is worth pursuing.

The key thing to remember is that while the risks and issues are typically required by the business, the rewards are just a possibility, so that possibility has to be big enough and important enough to you to make sense for you to take on all of the risks and endure all of the issues. This is an assessment that most entrepreneurs historically have not performed up front (particularly since many of them didn’t have the tools to identify all of the risks and rewards) and is the most important step you can take in your overall evaluation of entrepreneurship.

25

The Business Version of *Let's Make a Deal*: Is There Enough Upside to Justify All of the Risks?

REMEMBER HOW I SAID that just because you can do something, doesn't mean that you should? Well you figure out the "should" part by evaluating both the risks and rewards of entrepreneurship. You need to look at the entire picture of how much you can make financially, and what else you are giving up, and decide if there is enough of a trade-off in terms of a big potential payday to justify all of the risks involved in trying to attain it.

Evaluating risks and rewards requires you to do a few things:

- Evaluate how much you are putting on the line in terms of your money, time, effort, and emotions. This means that in terms of money, you need to look at how much of your savings and personal wealth you are investing in your new business (or guaranteeing by using a major asset like a home to guarantee a loan).
- Assess how much you make—or could make—in a job working for someone else, including any benefits.
- Evaluate the opportunity costs of your investment. This means considering what else you could be doing with that money that is now tied up as an investment in your business. This opportunity cost could be a lost investment opportunity (such as putting that money into savings and earning interest on it) or a lost spending opportunity (forgoing a family vacation, new car, or other purchase), or even a lost opportunity to donate to your favorite charitable organization.

These monetary considerations, plus all of the hours you will be working and the stress you will endure, are your risks and issues. These risks and issues need to be evaluated versus the second part of the equation, which is evaluating how much upside potential you realistically could achieve from

the business (the reward), based on your thoughtful financial model, assumptions, and level of investment.

The potential rewards of a business opportunity have to significantly outweigh the upfront and ongoing risks you are going to take and the issues you will have to endure for you to be willing to try to reap those rewards. There is no one right answer for everyone to say by how much those possible rewards needs to outweigh the risks and issues, but it needs to be substantial, and it needs to make sense for you. Graphically, you can think of an acceptable risk/reward balance, applied against your personal circumstances as:

POTENTIAL REWARDS > RISKS & ISSUES

Risks and Rewards the Game Show Way

Most investors look at this type of equation for every investment they make using financial benchmarks. For those of you not well-versed in financial terms, such as looking at return on invested capital or cash-oncash returns, you may find this difficult to do. Therefore, I will turn to an easy proxy for explaining this financial risk and reward evaluation: game shows.

Now, I don't know why, but I *love* game shows; I always have. I think I even want to be a game show host in my next life (think Bob Barker, not Vanna White). Game shows are great for demonstrating evaluation and trade-offs. Even though game show contestants don't have to put up their own money to go on the game show, their evaluation skills are always tested, and there is always something, sometimes something substantial, on the line. No matter what is on the line, even if it is beaucoup bucks, a lot of contestants have an all-or-nothing, borderline gambling mentality. Take, for instance, the hit primetime game show *Deal or No Deal*.

If you are one of the five people in America who isn't familiar with *Deal or No Deal*, it is basically a game of statistics and chance. The way it works is that there are twenty-six suitcases that contain prizes ranging from one measly cent up to one million dollars. There are considerably more "small" prize amounts and just a few "large" prize amounts, all of which are known to the contestants in advance. What the contestants don't know is which

suitcase holds which amount. That is the game. The contestant picks a suitcase to start that contains the prize he will retain if he keeps playing. This suitcase remains closed. Then, the contestant is required to pick other suitcases to be removed from play. As each suitcase is opened, the amount inside is revealed, letting everyone know what prize amounts remain in play (including in the contestant's chosen suitcase). The hope is that the removed suitcases will contain low prizes, making the chance of getting a high prize much greater.

After every few eliminated amounts are revealed, the show offers the contestant an amount of money to quit the game. The amount is somewhere between the lowest prize remaining and the highest prize remaining, depending on the amounts of low and high prizes left in play. The more high amounts available, the higher the prize offered to the contestant to quit. If the contestant wants to take the offer, he says, "Deal;" if not, meaning he wants to keep playing (thinking he has a bigger amount in his chosen suitcase), then he says, "No deal." What amazes me (and apparently the people working for the show as well, as I have heard from one of the producer's brothers) is how many people make poor evaluation decisions. A contestant may be down to seven suitcases, six of which are all worth under $10,000 and one worth $250,000. They are offered $50,000 to quit and they keep going—*no deal*. They convince themselves that they aren't risking anything since they came in with nothing. They would rather leave with five dollars and gamble for the $250,000, even though they are in fact risking $50,000 real dollars that would go home with them if they simply said, "*Deal*."

If these people were playing *Deal or No Deal* with their own money at stake somehow, you would hope that they would take the *deal* more often. However, entrepreneurs often do just that; they say *no deal* and risk their own money on a business gamble. Whether it is due to poor evaluation skills, a gambling mentality, or something else, potential entrepreneurs poorly evaluate the risk and reward balance of a new business—if they do it at all.

As I said, you may not understand return on investment calculations, but everyone understands *Let's Make a Deal* (which, by the way, is one of my all-time favorite game shows). *Let's Make a Deal* gives you something, and then you decide whether it is good enough for you or if you want to trade it

for something else. That something else could be better or worse than what you already have, so you have to decide if you want to make the trade.

Now, if you were given one dollar to trade for what's behind one of two curtains and were told that one curtain was worth nothing and one was worth $1,000, would you make the trade? Most of us would. One dollar isn't a lot to risk for the chance at $1,000, even if the downside is zero. Now, what if you were given $990 and asked to make the same trade—one curtain is zero, the other is $1,000? I hope that none of you would make that trade. You would be risking $990 for a chance to improve your situation by a mere ten dollars, a 1 percent increase. For each one of us, there is a different combination of amounts at risk and potential upside we would be willing to take the risk for, but for everyone, the risk needs to make sense. Certainly, in this case, a 1 percent upside doesn't make sense when the alternative is losing everything.

Imagine that in the previous examples, the amount you are trading stands for the amount you are investing of your own money in a new business. The two curtains represent the extreme possibilities for your business. You could fail, and it could be worth zero, or you could get the curtain with the big prize. Does the trade make sense? Before you answer that, you have to also factor in your current salary, your time, your opportunity costs, and all of the qualitative risks and rewards, among other things.

Let's play the game with more concrete numbers. Let's say that you are making $50,000 a year (plus benefits) at your current job and you have a gadget company that you can start with $60,000 of your own money. You need to evaluate whether you should make a deal. Should you trade your job and the investment for what is behind curtain number two—starting your own business? You don't always get full information on *Let's Make a Deal*, but let's throw in some additional details. Let's say curtain number two is a gadget business that sells $300,000 worth of gadgets from each year. Do you trade?

Well I hope you ask Monty Hall for additional information here. Let's further evaluate the choices. If you are employed, you make $50,000, and you get some benefits on top of that. Now, the $300,000-a-year gadget company may sound exciting because there is that big number there. But remember, that is sales, not profits, meaning that is not what you take home at the end of the day.

To find out what is leftover for you to put in your pocket, you have to take away from sales the cost of making the goods. Then, you have to take away the expenses of sales, marketing and administration, rent, employee salaries, advertising, professional fees, insurance, office supplies, shipping, postage, telephone and fax expenses, website expenses, and interest on any debt the business has incurred, as well as all other expenses, before you know what you are going to make.

The profit a business makes varies by how successful the business is, as well as the industry (e.g., commodity businesses have lower margins—the gross profit for each item after subtracting the direct cost of the product from the sales price of the product, expressed as a percent of the sales price—on average than a similarly branded business and service businesses sometimes have higher margins than product-oriented businesses). However, if you are doing well in this particular business based on the profits of competitors, you would be happy to have a business that has pre-tax profits in the range of 10 percent of sales (we look at pre-tax profits so that you can do an apples-to-apples comparison to your pre-tax salary of $50,000). Ten percent, by the way, is the level of profits that many professional private equity investors consider as a minimum gauge of a healthy mature products business. So, using the 10 percent proxy, that would mean that for a $300,000-in-sales gadget business, the amount available for you to take home is $30,000 (please note that these numbers are just for illustration; many businesses won't get to $300,000 in sales the first year—if ever—and many businesses aren't even profitable the first year). This profit ignores (only for this example, do not ignore this in reality!) that you may need to reinvest some of that money to make the business grow next year and the timing of cash flow. It also ignores (again, just for this example) that your perks and benefits from your old job, as with most "benefits" when owning your own business, now come directly out of your pocket.

The 10 percent is a proxy, a litmus test, or "sanity check" if you will, but it provides a good guideline for starting your evaluation. You won't have perfect information when you start a business, but you still need to sanity check your assumptions to see if they are in the realm of reality.

So, before even considering how the other, non-financial parts of the evaluation (such as the headaches and extra hours) come into play, you are

taking a 40 percent (plus benefits) decrease in salary. And this is when you are selling $300,000 worth of gadgets, which is not a number to sneeze at and may not happen the first year. Sure, you say that the business may grow well past that over time and that you may also build equity in the business that you can one day sell at a multiple of several times pre-tax profits. That may be true, so you should evaluate your future business projections versus your current salary, plus any raises you would likely get over the same period of time you project that you will own the business. Even better, look at it over one-, five-, ten- and twenty-year time periods. Don't forget to take into account the initial $60,000 it cost you to start the business and the loss of using that money for other investments (or for other purposes). You should add in the value of the missed benefits, plus deduct any money that you need to put back into the business (from your pocket) to evaluate the financial trade-off.

If we look at the chart below and assume that with a starting salary of $50,000 and a 5 percent raise every year, after ten years, you would have earned (pre-tax) almost $629,000. Would you trade that for the chance that the gadget business, which after growing a generous 18 percent per year, *might* earn you almost $706,000, knowing that the other curtain could contain less than that, even zero? What if you took into account the extra $60,000 in start-up costs that it takes to make that trade? Now, what if you take into account that instead of putting that $60,000 into your business, you could put it into another investment that earns a conservative 5 percent a year on average? After ten years, that interests compounds to earn you another $38,000! If you take that into account, the no-risk scenario earns you both your pay and the interest on your savings, which together is almost $667,000.

If you include your initial $60,000 investment, that brings you to having more than $726,000 at stake, which means that you are risking more than your projected upside from investing in the business. You wouldn't make that trade based solely on the financial risks and rewards. But a lot of people do, because they never go through this math exercise at the onset.

JOB

No Investment at Risk

Year	Salary 5% Growth	Compound Interest on Investment of $60,000 (5% Interest)
1	$ 50,000	$ 3,000
2	$ 52,500	$ 3,150
3	$ 55,125	$ 3,308
4	$ 57,881	$ 3,473
5	$ 60,775	$ 3,647
6	$ 63,814	$ 3,829
7	$ 67,005	$ 4,020
8	$ 70,355	$ 4,221
9	$ 73,873	$ 4,432
10	$ 77,566	$ 4,654
	$628,895	**$37,734**

BUSINESS

$60,000

Investment at Risk

Year	Take Home Profits (18% Growth)
1	$ 30,000
2	$ 35,400

3	$ 41,772
4	$ 49,291
5	$ 58,163
6	$ 68,633
7	$ 80,987
8	$ 95,564
9	$112,766
10	$133,064
	$705,639

Salary (with raises) of $628,895 + investment of $60,000 + interest of $37,734 =$726,629
Business after ten years with 18 percent annual profit increase = $705, 639

You can see that this evaluation is particular to your circumstances and the opportunity. If you had less salary at risk, a lower investment to make, and a bigger potential opportunity, it may be a better trade for you. Plus, if you can sell the business at the end of the day, that creates additional upside for the rewards side of your equation.

While your projections show a snapshot of the business and can never account for every factor or scenario, they are a good starting point for evaluating if your risk and reward trade-off makes sense. If the numbers don't work, then you shouldn't make the trade. No supposed freedom of ownership is worth it if you aren't making profits.

Given the risks of starting a business and all of the ancillary headaches associated with it, the potential amount you can make from owning your own business should greatly outweigh the amount you can earn from your

current job or a similar one. I can't tell you exactly how much it should outweigh it—that is up to you, but make sure you are comfortable with the reward benefits that you are taking the risk for.

Another way to sanity check yourself is to understand how much you are making per hour. Let's go back to the $300,000-in-sales gadget company that gives a pre-tax profit of $30,000. That business is going to require a lot of time and effort to get off the ground. There are fifty-two weeks in a year, and let's outrageously assume that you can actually take two weeks off for vacation (pipe dream!), so you have fifty work weeks a year. While it isn't uncommon for entrepreneurs to work seven days a week, let's say you decide to put in long hours during the week to have some free time on the weekends (yeah, right) and so you work five days a week instead. That is five days each week times fifty work weeks, or 250 work days per year.

To be able to take off the weekends, run the business, do the extra paperwork, etc., you are putting in twelve hours a day at work—7 A.M. to 7 P.M. This is probably conservative (fourteen-hour days are more likely), but just for illustrative purposes let's assume that it is accurate. Twelve hours each day times 250 work days is 3,000 work hours per year.

That year, you take 3,000 work hours to make $30,000 profit (less any money you may need to reinvest in growing the business) from your business with $300,000 in sales. That means, for all of your risk, headaches, and hard work, plus the $60,000 that you have invested of your own money, you are getting paid ***ten bucks per hour***.

And that doesn't even begin to take into account the opportunity costs of the business. The money you invest in the business can't earn interest. The time you spend working on the business isn't spent doing fun things; you may have to forgo vacations, your kids' baseball games, family events, favorite television programs, or a hobby to be able to earn ten bucks an hour. Does that seem worth it to you? Does risking $60,000 of your hard-earned money that you invested to get the business going, the sleepless nights, the paperwork, managing employees, and working twelve-hour days seem worth the *opportunity* (because it is not a given that you will achieve your projections) to earn ten dollars per hour? Again, I can't answer that for you, but likely, you never thought of it that way.

The point is that you need to evaluate what success is and what it requires. You need to understand what you are trading and if it is a fair

trade-off. You need to use the hard numbers as a benchmark and then factor in all of the other intangibles before you decide *deal* or *no deal*.

Your Business as a Portfolio Investment

One other part of evaluating the risk and reward balance is taking into account diversification. We have all been told that it is important to diversify your investments. You don't want to have all of your eggs in one basket (sorry for the overused phrase again, but it is really the best one). This is why many stock market investors choose to invest in mutual funds versus picking individual stocks. If you have diversity, one bad investment isn't going to ruin you financially. It will hopefully be balanced out across your entire fund or portfolio; the really bad will be averaged with the really good and the mediocre, to give you a fair, combined investment return.

When you are starting your business, you are also investing in it. If all of your money is in your business, you will not have the opportunity to diversify with other investments. So, if your business doesn't do well, all of your eggs will be in a basket that is broken.

WHEN YOU ARE STARTING YOUR BUSINESS, YOU ARE ALSO INVESTING IN IT. IF ALL OF YOUR MONEY IS IN YOUR BUSINESS, YOU WILL NOT HAVE THE OPPORTUNITY TO DIVERSIFY WITH OTHER INVESTMENTS. SO, IF YOUR BUSINESS DOESN'T DO WELL, ALL OF YOUR EGGS WILL BE IN A BASKET THAT IS BROKEN.

It is important for an entrepreneur to show his commitment and have a significant stake in his business. This is a safeguard to ensure that the entrepreneur does everything he can to make the business successful. However, if you are putting every last dime into the business, your eggs will be all in that basket. If I were in that situation, I would want that basket

to be bulletproof with fifteen inches of premium padding and a bodyguard to make sure that something didn't happen to every single one of my eggs.

Evaluating your risks and rewards by doing the entrepreneurial math is one of the most important things you must do before you commit to the entrepreneurial path. This involves looking at the hard numbers and evaluating both quantitatively, as well as qualitatively, what you would give up versus what you may gain. Then, imagine yourself standing in front of two curtains representing the upside and downside possibilities of your new business (to make it more interesting, imagine Monty Hall there with you wearing a plaid jacket from 1962). You are holding the amount of money you will be risking to start the business, including your start-up costs and existing salary. Then, think about the other trade-offs you will have to make. Look at the two curtains before you again. Will you make that deal? Only do it if it is really worth it.

EXERCISE 17

TARGET FOCUS—RISK/REWARD:
Assessing Risk and Rewards from the Numbers

This exercise is comprised of three different evaluations.

A. The financial "deal" evaluation:

1. Write down the value of the salary and benefits you would be giving up to start your business. Be sure to include raises and bonuses for each year over the next ten years. If you are unemployed, make an assumption on your next job using reasonable expectations for when you might get the job and the potential salary.
2. Next, write down how much money you will personally invest to start and run your new business.
3. For any money you plan to invest, write down what other investments you could alternatively invest that money into. What is a reasonable rate of return you can expect to make on that money? If you don't have a good benchmark, you

can look at a range of scenarios (from losing 10 percent to making nothing to gaining 10 percent).

4. For any money you plan to invest, write down what will happen if you lose part or all of that investment.
5. If you need to take out a loan, write down how much the loan is for and the amount of interest you will be required to pay on that loan.
6. Write down what you need to put up in collateral for that investment.
7. For any collateral you will need, write down what would happen if you lose that collateral.
8. Write down how much you reasonably believe your business will make over the next ten years. Like in number three, look at normal, bad, and good scenarios based on varying the assumptions behind your business.

Now, evaluate if you should you "make the deal" based on the financial merits of the risk and reward trade-off. Do you trade your salary, benefits, investment, and/or collateral for the possibility of making what you may be able to make, purely based on the financial return?

You can first look at the value of item one plus item three above over that ten-year period and compare it to item number eight, taking into account any interest you will have to pay in item five. Is the return big enough to justify the risk? What if you take into account the collateral you have to put up (items six and seven)? Is there a financial merit to the trade-off? If so, how substantial is it? Remember, you probably won't want to trade $49,000 a year for *the chance* to make $50,000 a year. If you aren't 100 percent comfortable with numbers, enlist someone to help you with your evaluation—it is that important!

B. The hourly evaluation:

1. Write down how many days a week and hours per day that you think is realistic to achieve your financial model. Find out how many hours per year you will be working. *Note: you should interview other entrepreneurs in similar situations for*

some honest feedback, and take into account all aspects of the business, from marketing to paperwork to customer support to operations (performing the service you provide or making the goods you sell).

2. Take the amounts you expect your business to make each year in good, bad, and normal scenarios (from step A8 of this exercise above) and divide each one by the number of hours you will work that year from B1 above. This is your per-hour wage under the different scenarios.

Assess the per-hour wage. Is this a wage that you feel good about and you feel is a good reflection of the value of your time? If not, the reward of your business may not be substantial enough to justify the risk.

C. The prudent investor evaluation:

1. Ask yourself if you are "betting the farm" on your business.
2. Is the level of investment that you will be making wise, given your financial situation?
3. Would you consider making a similar financial investment in any other potential investment?
4. Do you have other investments?
5. Will you remain diversified from an investment standpoint, or will all of your money be tied up in the business?
6. Would you advise a friend or family member (that you like) to take on the same level of financial risk that you will be taking on by starting a business if the roles were reversed?

If you answered yes to items C1 or the second part of C5, or no to the other items, you are not making a prudent financial decision and should reconsider starting a business at a time when your circumstances have changed, so that your Entrepreneur Equation is not out of whack.

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People, Spaces, and Things ... What You Give Up When You Leave Your Job

THE WHOLE JOB THING gets a bad rap. First, you wake up in the morning and to perform your job, you have to go off to a place called "work." Work, by definition, is somewhat unpleasant—it's not called fun, party time, or relaxation for a reason. If you were perhaps instead to go to "fun" every day instead of work, you may begin the day in a better mood. So, work and the job associated with it start out with a strike against it.

Then, you have to go to the place where you do "work"—a business or company. The company, therefore, is guilty by association. And your job working at a company starts sounding really awful once you factor in that you may be smarter than your boss, that your co-workers smell like bologna sandwiches, and that your office hasn't been painted in the last decade.

You do your job for a while without issue but eventually, it starts to grate on your last nerve. You then start to fantasize. Maybe you fantasize about retiring to your own tropical island, but you don't have enough money, so you don't do that. Then you think maybe you should find another job, but you worry that it would be just as bad. Finally, you start thinking about how life would be better if you were out on your own. You could start your own business and escape your idiot boss, make sure to never hire anyone who smelled like lunch meat, and even pick the sleekest office decor in the world!

Maybe you have a brilliant business idea, or maybe you don't, but you start obsessing that having a desk without wads of chewed-up gum stuck underneath it and bathrooms that don't look like they belong in a third-world country would improve your quality of life exponentially.

Starting your own business sounds like heaven. Unfortunately, nobody has yet been able to prove the existence of heaven on earth.

With all of the fantasizing about how great it will be to set out on their own, what many future entrepreneurs forget to factor into the equation are all of the benefits they get from being a part of a company. Some may seem trivial, some may seem outlandish, but when they are your responsibility and on your dime, you see them in a whole different light.

Obviously, what you have access to will vary by the type of industry and company you are currently working for and the type of business you are thinking of starting. Regardless, whatever you had access to before as a company employee is now, as an entrepreneur, coming straight out of your pocket. These items are part of the qualitative risks and issues you face when you start a new job.

The Little Things, Like Paper Clips and Coffee

When I worked at Montgomery Securities (an investment bank headquartered in San Francisco) in the mid-1990s, we had almost a thousand people on staff and therefore, a lot of perks. Some of these perks were appreciated, and some were, frankly, taken for granted.

By the late ’90s, our firm was acquired twice within a period of one year: first by NationsBank and then through a second merger with Bank of America. This sent my colleagues in the corporate finance department into a tailspin and a number of my colleagues decided it was an ideal time to explore starting their own businesses.

One of my first colleagues that left to pursue his own venture was Shane (not his real name), a senior associate a few years out of business school. He had been working at the firm since receiving his MBA and upon the merger chaos ensuing, decided to jump on the internet business bandwagon that was everywhere in Northern California at the time.

I went to visit Shane in his new offices a few months after his departure and asked him about his experience. He told me that he had been completely oblivious to the resources that he previously had access to while working at a larger company. At Montgomery he had a secretary, whom, at the time, he assumed didn’t really do much for him. But now he confessed that he was spending too much time fielding phone calls, which was taking

him away from working on other aspects of the business. He also had to book his own travel (on his own dime) and sit in the economy cabin instead of business class (not to mention that he chose to stay at the cheapest hotels possible rather than the luxury hotels our former employer sprung for).

His funniest complaint was that he missed the “awesome coffee.” Montgomery had premium coffee always brewing in the kitchen on any floor that you visited. Now that the coffee cost was coming out of his pocket, he was using cheap, store-brand coffee rather than Starbucks Breakfast Blend. Even worse, he complained, was that he now had to make the coffee himself. It wasn’t that it took much effort to make the coffee, but it was just one more thing he had to remember to do.

Who would have thought that it was for the tiny little perk of the access to good coffee that he didn’t have to make for himself he was nostalgic? That little perk (and I am sure many other issues) had quite an impact, because he was back working for a major investment banking firm within eighteen months.

Two more colleagues, Kim and Johanna (again, not their real names), also decided to branch out and start their own company. A few months into the start-up process, Kim and Johanna were shocked at the cost of stocking their office. In addition to now having to pay rent for a dinky space, they needed to get office furniture and equipment—everything from desks to phones to high-end printers, all of which they previously had access to. Their big revelation: the ongoing costs of the office supplies. Kim said that she missed the supplies program at Montgomery where you could order anything you wanted, from highlighters to staples, out of a six-hundred-plus-page catalogue and it showed up on your desk the next day.

Now that every supply was an expense directly coming out of their pockets, Kim and Johanna became very conscious of every piece of paper they printed on, paper clip they used to secure a note, and stamped envelope they sent out. The little items added up and never went away once the supplies department became their responsibility. While I am sure it had more to do with the difficulty of securing clients than the cost of the paper clips, Kim and Johanna closed up shop in less than a year.

Office Space

And then there is me (oh, I am not immune from having overlooked a few key details either). Even though I had been educated at Wharton and advised some of the fastest-growing businesses in the world, I really did not understand all of the issues around entrepreneurship until I encountered them first-hand. Within a few months after all of the others had bailed from our previous employer, I followed suit and started my own advisory firm.

Among my biggest issues was space. Our first office didn't have much room because, hey, office space is expensive as it is. There was only enough room for me, my husband (who was my partner at the time and the company's co-founder), and one additional employee. We didn't have a conference room, so we had to meet with clients at their respective offices. We couldn't hire additional staff or even take advantage of college interns because we had no place to put them and with trying to pay ourselves, our single employee, and the business's operating expenses, we were tapped out as it was. This was a classic type of issue that wasn't given enough thought beforehand. Who would have thought that I couldn't take advantage of an intern (an employee who would actually work for *free*) because I didn't have a place to put him in the office, let alone want to spend the money on a computer for him to work on or a desk and chair for him to sit in (not to mention finding the time to train him)?

So, if you work in an office, you may take for granted that you have unlimited access to things like Post-it Notes, highlighters, printer ink and paper, a good working copy machine, a secretary, warm coffee, paper clips, a nice bathroom, a travel agent, envelopes that you don't have to lick, your favorite kind of pens, filing cabinets, notepads, and filtered drinking water. But don't be blasé; these are not trivial items when you have to provide and pay for them.

If you work in a non-office environment, the perks may not be the same in type, but they are just as important. If you work as an auto mechanic, hairdresser, or a massage therapist, having someone help schedule appointments means that there is more time for you to make money performing your craft. The expense of purchasing oil (whether for automotive, deep conditioning, or massage purposes, respectively) is now coming out of your pocket. You have to supply your own invoices or hair dye or clean sheets. Whatever company you work for now is providing

equipment and other resources to you, and it is up to you to recognize their value.

Big Things—The Three Cs: Credibility, Clout, and Contacts

Exponentially more important than providing paper clips and coffee is the extra Cs that working for an established company gives you. These three Cs are credibility, clout, and contacts.

It makes no difference if you provide better service and preferential pricing, or even have the same person doing the same work—your new business card is worth a fraction of the business card that has an established company's name on it. There are many reasons for this, but most companies like to hire established firms, even if you had previously been their account representative. It may be that customers really believe that at a big company, "the whole organization is behind you," even if you were the one and only person doing the work when you worked for Established Company, Inc. Maybe they like the cachet of having a big-name service provider or business partner. Perhaps they enjoy some other corporate perks (like being taken to the stadium box for an NBA game, to a golf tournament, or even receiving a giant fruit basket during the holidays). Or just maybe, they understand all too well how many new and small businesses fail each year and don't want to risk being supplied or served by a "newbie."

My husband was amazed by the power of a name change when he left our advisory company and went back to work for a major investment banking firm. The same prospects that we had called on under our smaller banner were now calling him back more quickly. They were taking more meetings, and he was signing up engagements more rapidly. Why? His skills hadn't changed. Frankly, the person doing the work hadn't changed either. However, the perception of his resources from the customers' perspective had changed, and that made a huge, discernable difference.

For whatever the reason, even your best existing customers and clients may not follow you to your new firm. And while you may provide needed goods or services at an outstanding value, given the competitive

marketplace businesses face today, it is very difficult to find new clients and customers, especially ones that pay (and pay regularly and on time). Many of the potential customers and clients willing to take a chance on a newer and smaller business are willing to do so because they are desperate. One business owner characterized that phenomenon to me as "[new businesses] are the best friends of desperate men." Unfortunately, these are probably the customers you don't want. If these customers don't pay, or delay paying, remember who it is that has to track them down (hint: it's you). And if you don't have customers or clients that pay you, you don't have a business.

A plan of having customers or clients follow you to your new business may be one of your biggest challenges. Actually, it may also be against your employment contract, too. Remember that paperwork you signed on the first day of work? You probably never even read half of it or even kept a copy for your files. But you need to get your hands on that paperwork because there may be a non-solicitation or non-compete provision, which states that for some period of time (six months, two years, five years, etc.) that you cannot call on or try to service any existing client of the company. Some take it as far as to say that you can't call on any prospective client of the company, really limiting your ability to take off and open a competitive business or use any contacts that you have. So legally, you may not be able to open a competitive business, or if you do, your top prospects may be completely off-limits.

Customers are not the only ones with whom you lose credibility, clout, and contacts. Vendors and suppliers are much the same. You may have even been the point person for a given vendor at your previous company, but then you were acting as a representative of Established Company, Inc. and the vendor had a relationship with the company as much as with you. They know that Established Company Inc. can pay its bills on time (they have been doing so for years), so they are happy to extend Established Company great credit terms. They may know you personally, but your New Business Inc. is an unknown quantity. This means you don't get the great credit terms, so you have to pay for your goods and supplies sooner or even up front, putting a crunch on your cash flow.

> LEGALLY, YOU MAY NOT BE ABLE TO OPEN A COMPETITIVE BUSINESS, OR IF YOU DO, YOUR TOP PROSPECTS MAY BE COMPLETELY OFF-LIMITS.

Established Company Inc. is also larger, so it probably orders more items from each vendor and is able to take advantage of that purchasing power in terms of discounts. New Business, Inc. has no purchasing power, therefore you have to pay full price. Not to mention that being a smaller company, you and New Business Inc. are no longer at the front of the line. Your sales representative may not rush to take your calls, help you out in a pinch, or show you any love whatsoever for quite some time. Let's face it, the more important you are as a customer, the more fawning and ass-kissing you will receive from vendors and suppliers. When you are a small guy, they may feel as if they are doing you a favor, which is not a favorable (again, lame pun intended) position for you to be in with your suppliers and vendors.

Calling in the Technical Support Team—Oh Wait, You Don't Have One

When you work for a company, usually there are people on staff (or for smaller companies, outsourced) that help take care of problems. If your computers are acting up, you call technical support. If the copy machine breaks, you call the copier service staff. If someone strange is trying to get into the back offices, you call security.

Let's play a guessing game. When you start your own business, guess who is in charge when things go wrong? Survey says…you! If your computers are acting up, you need to deal with it. If you are an IT professional, this may not be the end of the world, but if not, then it is a headache, one that takes away time from doing other things. You probably don't have a technical support group on staff. You may not even know who to call. You may have to get into your car, go to the nearest Best Buy store, hand your computer to the Geek Squad, and hope that it doesn't take too

long to fix it. If your computer does need to be fixed, you may not have another one sitting around the office to use while you are waiting, or if you do, it may not have the information you need to effectively do your work. Then, you have to figure out a work plan in the meantime while you wait to go back to the store to retrieve your computer, which may not be for several days. This takes away valuable time that could be spent working on your business and puts extra hours and stress on you.

If you have a physical location for your business, such as an office space or retail storefront and you are lucky, your landlord may have a janitorial crew that cleans at night. Of course, if your landlord provides a janitorial crew, that means you are paying for it as part of your lease. If the landlord doesn't provide that service, or if they only clean the common areas, guess who is now in charge of janitorial services? Survey says… you (yet again)! You can either hire a service (which costs you money), or you or one of your employees can clean. If you are the only employee, your choice is either money out of your pocket or time out of your day with a vacuum and a feather duster. Not necessarily how you pictured the American Dream, eh?

When you are at an established company, there are resources to draw upon. When you own your own business, you lose that. It falls on you to figure out, manage, or fix whatever it is that has gone wrong.

Benefits: Is It Really a Benefit When It Comes out of Your Pocket?

In addition to salary and bonus potential, one of the important considerations job holders take into account are employee benefits. These benefits vary widely by company, industry, and position, but benefits are a key component of many jobs. When you apply for a new job, you evaluate the benefits as an extra factor on top of your cash pay to assess the overall value of a job offer.

When you own your own business, almost every so-called benefit comes directly out of your pocket. So, your benefits are not in addition to what you make, they are actually subtracted from what you earn when it is your own business.

Here are just some of the benefit differentials to take into account.

HEALTH INSURANCE

If you have ever tried obtaining health insurance as a self-employed person or small business owner, it absolutely sucks. It costs a small fortune, and it is a pain in the butt to apply for. I know there are a number of well-known folks who contend that this isn't as difficult as it sounds. I am guessing these people have a very clean health history, because it has been my personal experience (and that of many other small business owners that I know) that if you have a history of having a "health issue" as minor as say, hangnails, the insurance company is going to find a reason to charge you more or potentially deny you coverage, for your health care package.

Many established companies offer their workers health care benefits. In most cases, established companies have better health care policies available to their employees than you can get as a new business owner. The established companies have more workers that they are buying or negotiating policies on behalf of, which allows them to enjoy discounts (which are ultimately passed on to you as an employee). If you work for a company, health care will usually cost you less than it will on your own. In many cases, your employer may also pay for a portion of the health care cost as an additional perk. The plan may be open to your spouse and children. Your plan benefits in many cases will also be superior, again because of the negotiating power the larger company has. Best of all, the health history requirements when you are in a larger group are much less stringent (i.e., a history of hangnails does not disqualify you or jack up your coverage rates) than they are for you as a small business owner.

There is, more often than not, a significant tangible penalty that you will incur from health care costs when you start your own business. While the national healthcare bill (*a whopping 2,400 pages*) that was signed into law last year is intended to help reform the healthcare system, it will be implemented over eight years, and health care will likely remain a burden for small businesses for quite some time.

VACATION TIME

Paid vacation time is a great perk that many employers offer. It is good for the employer because it is a perk they can deliver that doesn't cost them extra cash. It is appreciated by most employees because they value having free time. It is a fantastic bargaining tool for both employers and employees. Even in companies that are not quick to provide cash raises, if you have been employed for a while, you can usually bargain for more vacation days.

When you have your own business, there is no such thing as paid vacation time. Especially early on, and for sure if you are a one-man band (i.e., the only employee), the thought of taking a vacation is somewhat ludicrous—you have too much to do to be able to go enjoy a week at the beach. If you do plan to take the time off, it is not paid—in fact it actually costs you because there will be nobody available to run the business. If the business is not open and running, then you are not making money, which takes dollars directly out of your pocket.

So, where vacation is a perk for an employee, it is a cost (and a pipedream!) for a new business owner.

SPECIAL PERKS:
FROM DAY CARE TO BIRTHDAY CAKES TO HOLIDAY PARTIES

Many employers offer a whole host of perks for employees, from the bold to the basic. Some companies pull out all of the stops to offer special incentives for employees, from on-site day care to shoe shining and laundry services. Other companies keep the perks more streamlined, such as having birthday cakes monthly for employees to having bagels every third Friday morning. Summer barbecues, winter holiday parties, and hosting on-site massages are other items that employers offer to keep employee morale high.

When you own your business, you either do without these perks or you pay for them. If you have employees, every perk you offer is no longer a perk for you, it is an expense (remember my former colleague with the store-brand coffee?). Perks you provide can also be a use of your time. If you have a holiday party, it not only costs you money, but you have to plan it, too. If you offer an on-site dry cleaning service pickup and they screw up, you have to figure out how to fix it. Make sure to calculate the value of even the most basic perks when you evaluate the risks and rewards of owning your own business.

The "Benefits" of Working with Other People

Most of us have had co-workers that we could "take or leave" (or maybe just leave). We have worked with people who were loud, nosy, and obnoxious types, or were saboteurs or incorrigible kiss-asses (and probably some people who were all of the above). All kidding aside, there are a lot of great benefits derived from working with others.

A man we'll call Matt was a consultant who worked for a major consulting firm. He got tired of the so-called corporate grind and decided to become a freelance consultant. Within two years, he was back working in the consulting industry for a different established consulting firm. There were many reasons why he went back, but this one struck me as particularly interesting. He said:

> One of the biggest issues was the professional isolation. Even though I didn't always agree with my co-workers, and maybe thought that their suggestions were stupid at times, they actually provided a lot to me, which I completely took for granted. Working with others allowed me to grow both personally and professionally. They helped me solve problems and see different perspectives on projects.
>
> They created new networking opportunities. I know a lot of people, but with my co-workers, we together know a *ton* of people. They provided professional contacts, resources, and opportunities that I didn't have access to when I worked by myself. Having other people on your team and in your division gives you both perspective on what to do and what not to do. I learned some of the most valuable lessons by watching colleagues interact with customers.

As Matt's story illustrates, working with other people gives you continuing education and helps you to grow professionally. Plus, interaction is healthy—it keeps your mind sharp and helps you avoid feeling isolated.

Everyone's Two Favorite Game Shows ... *"Pass the Buck"* and *"The Blame Game"*

An intangible benefit for many workers is the safety net at work called *other people*. Above, we explored how having co-workers can help you grow. They can also help you in other ways. We live in a culture where people like to do the least amount possible and don't like to take responsibility for their actions. When you work in a company with other people, this is easy to do. When you own your own company, this is nearly impossible to do.

Let's take everyone's favorite "game show" that I like to call *Pass the Buck*. Pass the Buck is played as follows. You get a task or responsibility that you don't feel like doing or being responsible for. Then you pawn this task off on someone else. It could be a co-worker, an administrative assistant, or even a junior staff member; it doesn't matter, as long as the responsibility doesn't remain with you. Let's say you don't want to write the company's monthly newsletter. In Pass the Buck, you tell your boss that you are swamped on a project and volunteer your co-worker Jimmy to do it instead. Or if you don't feel like planning a company off-site event, you Pass the Buck right over to your secretary and have her do it for you. Perhaps an annoying client is coming into town and needs to be picked up from the airport. You don't want to do it, so you Pass the Buck by declaring that you have to pick up your dog at the veterinarian that day and suggest that your team member Susie do it since she isn't that busy.

> WE LIVE IN A CULTURE WHERE PEOPLE LIKE TO DO THE LEAST AMOUNT POSSIBLE AND DON'T LIKE TO TAKE RESPONSIBILITY FOR THEIR ACTIONS. WHEN YOU WORK IN A COMPANY WITH OTHER PEOPLE, THIS IS EASY TO DO. WHEN YOU OWN YOUR OWN COMPANY, THIS IS NEARLY IMPOSSIBLE TO DO.

Pass the Buck is a game loved and played by many. It works well for small tasks that pile up, and sometimes even for big tasks as well. The larger the organization, the more often people play Pass the Buck and the more times the buck gets passed! If you are really good at playing Pass the Buck, those in charge of your compensation won't really notice, and you

won't be penalized for it come review or bonus time. If you are bad at playing Pass the Buck, it may come back to haunt you a bit. If you really suck at Pass the Buck, you will end up getting the buck passed to you more often than you pass it on. But at least you do have the opportunity to pass it on to someone else again.

When you own your own business, you can't play Pass the Buck. You can try, but ultimately, the buck stops with you. If none of your employees want to take on a given task (and if it requires any work at all, they won't), or if you have no employees, there will be no buck passing. You get to do the dreaded task. If the task doesn't get done, then you can't even be a contestant on everyone's second-favorite "game show," *The Blame Game*.

The Blame Game, which is sometimes referred to by its slang name, "Throwing Someone under the Bus," is another game show people participate in quite frequently at work. It often comes on right after Pass the Buck.

When something doesn't get done, gets done poorly, or is otherwise a disaster and you don't want to get in trouble for it, you immediately relieve yourself of all responsibility by shifting that responsibility (deserved or not) to someone else entirely. You point the finger at that person and declare that it was "all their fault." That is how you play The Blame Game. The newsletter you didn't want to write was done seventeen days late with a hundred typographical errors, but you shift the blame to Jimmy; it was his project, you were busy doing other things. The company's off-site event was at a terrible location with no cell phone access, and the lunch that was served gave half of your co-workers food poisoning. No worries; you can throw your secretary under the bus on that one, as it was her fault since she did all of the planning. The annoying client was picked up two hours late from the airport and was so mad that he pulled his account from your firm. Well, that was not your fault either; Susie agreed to do it. And so The Blame Game goes.

Just like Pass the Buck, if you are good at The Blame Game, you can get away with a whole lot by blaming others. You rarely ever feel the whole burden of something gone wrong, as there are always other people to cushion the impact of the issue you can share the blame with.

When you own your own business, you can't play The Blame Game. Even if it is someone else's fault, if something doesn't get done, or is done

poorly or incorrectly, it is your problem. You can blame your employees, but the full impact of the problem falls on you. It is your business, and you will bear the ultimate burden because it is your money and reputation on the line. If things go really badly, you will go home with a nasty parting gift called *going out of business*.

Now obviously, this section is a bit tongue in cheek, but there is reality behind the joking, as there always is. If you are the type of person to shirk responsibilities or shift blame frequently to others, or just like having the comfort of a group of people to share the burden with instead of being responsible for all of it yourself, then entrepreneurship is going to be a tough and unpleasant road for you. You need to have very broad shoulders to carry the weight of all of the responsibilities yourself when it is your own business. You have to be honest with yourself. If you aren't willing to stand by yourself in a big way and take accountability for all tasks (no matter how menial) and take all blame for things gone wrong, don't quit your day job.

The Pond's Maintenance Is on You

From suppliers to supplies, credibility to benefits, you are getting so many hidden tangible and intangible benefits from being associated with an established business. You may think that you are going from being a small fish in a big pond to a big fish in a small pond by leaving your job and starting your own business. The reality is that you are going from being a small fish in a big pond to a smaller fish in a bigger pond, with the extra responsibility of taking care of the pond's maintenance. Make sure to take the financial costs, emotional costs, and opportunity costs of what you lose when you walk away from your job into account when you evaluate that option.

EXERCISE 18

TARGET FOCUS—RISK/REWARD:
Identifying Qualitative Risks

1. Make a list of the following:

- All of the benefits you receive from your job (or would receive in a job if you are not currently employed). Include every benefit you can think of, no matter how small or large.
- All of the advantages to having co-workers.

2. Go back and circle any of the items that you will have to give up or modify significantly if you leave your job (or forgo a job) and choose to start a business.

The circled items represent some of the qualitative things you will risk when you start a business. The items on the list should be added to the risks and issues side of your Entrepreneur Equation as part of the overall risk and reward evaluation of your business opportunity.

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Employees—Damned If You Do (or Don't) Hire Them

THE EMPLOYEE CONUNDRUM is one of the biggest challenges that you face when considering entrepreneurship. As discussed previously, employees help determine where you are and where you want to go on the Job to Business Spectrum. If you don't hire employees and are a one-man band, you aren't really creating equity, you are creating a job (a.k.a. a job-business). And for all of the reasons in this book already, if what you have is a job, you may find that given a job's risks and rewards, you are better off working for someone else's company instead of working for yourself.

So, if you are thinking big—big enough to create some equity in an entity that itself has value—you are going to need some employees to get there. In fact, if you don't have anyone else working with you, you will probably eventually go insane. You are human, which means you will, at some point, get the flu, or you might want to take a vacation. But even if you work 24/7, you just can't possibly do everything yourself. Hiring employees is necessary, but a necessary evil in many ways.

Fun with Employees

When you add your first employee, everything changes. And I don't just mean that you can no longer leave the bathroom door open when you pee. The moment you decide to hire an employee, just one measly employee, your paperwork and legal headaches increase by a factor of several hundred. If you haven't been through this before, here's what you are in for (and if you have, just consider this a friendly reminder). First, you have to hire the employee. That requires you to spend money to take out ads or hire a staffing agency to find interested applicants. Then, you have to weed

through the applicants to find the candidates you might potentially want to hire. Then, you have to conduct interviews. When you conduct an interview, there are certain guidelines of things you can't ask or say; if you do, you violate the law. If you think that blue-haired memaw is too old to do a good job at your skateboarding company, you better find another reason not to hire her because you can't discriminate during the hiring process. If you discriminate based on factors like age, race, or sex, you open yourself up to lawsuits. Now, if you worked for a large, established company, your human resources department would be up to speed on all of these rules and guidelines. But you are now flying solo, so it falls on you to figure out the rules and guidelines and follow them.

While you conduct interviews, you have the fun task of trying to find the best, most qualified person for the least amount of money. You also hope this will be someone with some experience that will take a salary close to what you have budgeted for the position. This is not an enviable task, as you typically get what you pay for. The people who will agree to a low salary may be unqualified, sketchy, or otherwise broken; those who are qualified will want you to pay them their worth, which is more money out of your pocket.

So, you have to prioritize. Which is more important, your budget and therefore your profits, or having a more qualified employee? If you do find a great person who doesn't know their own worth (or the median pay for that particular job), don't get too excited. The chances are that they will figure it out and eventually require more money to stay with your company.

If you don't know the applicants for your job positions, you are going to have to do some research on their backgrounds. You obviously wouldn't want sex offenders working with kids, embezzlers managing your cash register, or murderers working with your customers (no matter how frustrating your customers can sometimes be). Background checks are advisable (and, of course, cost money and take time). Many companies also like to do credit checks as well; there have been an increasing number of stories about people in financial straits doing lots of shady things at their jobs, such as stealing from their employers. It is good to find an employee who is hungry, but perhaps not starving.

Then, of course, you will want to check the applicant's professional and personal references. This takes more time, but you should always do your

homework, especially when you will be entrusting these people with your livelihood and your personal investment. You also may want to test for drugs. This may be a one-time deal or an ongoing procedure, particularly if the job you are filling is something where employee drug use can cause someone else harm (like an employee driving a company delivery truck for which you are liable).

If you find yourself in the awkward position of having people you know (friends, acquaintances, and/or family members) interested in the jobs that you need to fill, then you have a whole other set of issues to think about. It is very difficult to work with people with whom you have an existing personal relationship. On one hand, you know these people and hopefully have some level of trust in them. On the other hand, there is already an established protocol between you and that person for communication and interaction, which will get turned on its head once a professional dynamic is put in place. The person may be accustomed to viewing you as a peer instead of an authority figure, which will make it difficult for him to take orders from you once you are his boss. This can also be exacerbated if he is used to being some sort of an authority figure to you personally, such as an older brother or personal mentor.

Other issues arise when your friends or family members are used to a playful personal interaction, such as joking around with you most of the time. However, your business is not a joke, especially when you have a lot of your own money on the line, as well as your time invested in it!

Good people don't always make good employees. I have heard hundreds of nightmare stories about people working with friends and acquaintances. Just because someone is nice, fun, or related to you doesn't mean that he is qualified for a particular job. I once hired a friend who I thought would be perfect to work in one of my companies. He wasn't; he was all over the place like a little kitten that needed to be constantly refocused. He wanted to chat about life, not about business. The business was my life, and eventually we mutually parted ways.

GOOD PEOPLE DON'T ALWAYS MAKE GOOD EMPLOYEES. I HAVE HEARD HUNDREDS OF NIGHTMARE STORIES ABOUT PEOPLE WORKING WITH

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It is difficult to maintain an important personal relationship and do business at the same time. That is perhaps where the phrase "business is business" comes from. Moreover, it makes for an awkward birthday party or family dinner after you have had to fire a friend, a cousin, a spouse, or a sibling, so think long and hard about it before you take the plunge. It may be easier to have the uncomfortable conversation up front (i.e., I don't want to ruin our friendship, relationship, sex life, etc.) rather than endure the issues if it doesn't work out.

Fun with Logistics, Paperwork, and Benefits

Okay, now back to employee logistics. While you are interviewing, you need to make room for the employee. In a retail store, this may be easier. In an office environment, this may be exponentially more difficult. Either way, once you make the space, you have to outfit the workspace with all of the tools needed for an employee to do his or her job, including a desk, garbage can, chair, computer, pencil holder, filing cabinets, uniform, cleaning supplies, delivery van, makeup brushes, or whatever other items are needed.

You have found an employee candidate that agrees to your salary package. Great! Then, they ask about benefits. ##!!*@—you forgot about benefits ! Some businesses can get away without offering benefit packages, but to be competitive, many businesses have to offer benefits at least comparable to those offered by other companies where employee candidates might also consider applying. This means that you have to put together or expand your health care plan. You may have to institute or expand your 401 (k) program. You may have to plan a holiday party. Whatever benefits you choose to offer, they constitute more time, more paperwork, and more money out of your pocket. In fact, taxes and benefits can be an additional 20-30 percent or more (depending on your state and

your benefits package) above the cost of the employee's salary. So, if you thought you were paying someone $30,000 a year, you may find that you are really paying them $39,000 a year after benefits and taxes.

Paperwork continues to increase because you have hired employees. The paperwork that personally annoys me the most is the paperwork related to payroll and taxes. When you are a one-man band, if you set up your corporate structure properly, you can just file a "Schedule C" on your personal income tax statements each April and be done with it. When you have employees, you have all sorts of new paperwork that you need to fill out and keep track of, from W-2s to quarterly payroll filings. You have to deduct certain taxes from each employee's paycheck (and any benefits if you are doing that). It takes time, and it is tedious. You can hire a service company to do it, but that costs money. Also, hiring a service to do your paperwork doesn't absolve you of the responsibility of making sure it was done right and not forgotten. Outsourcing of responsibility does not mean you no longer have any responsibility. You have to be on top of everything, because if you forget to do a particular filing, the government isn't going to blame your payroll service; they are going to blame you, the person whose name is signed on the dotted line for the business. (The Blame Game mentioned in the last chapter does not work with the IRS!)

In addition to governmental and tax paperwork, you will want to have new employees sign other paperwork, including confidentiality agreements and non-compete agreements, codes of conduct, mission statements, and more. You will have to write these or find someone to do it for you. Not only do you need to have the employees fill out these forms and agreements, but you also have to keep track of each form and agreement to make sure that they are current and being followed.

Then, depending on your size and industry, there are all sorts of other administrative things you need to do in relation to your employees, from complying with Occupational Safety and Health Administration workplace safety guidelines, to licensing and continuing education requirements if your industry is heavily regulated. You have to make sure you are complying with minimum wage requirements, workers' compensation laws, civil rights laws, child labor laws, environmental laws, Americans with Disabilities Act, labor laws, immigration laws, policies and laws designed to fight terrorism, and all sorts of other crazy things the government has

thought up that suck up your time and resources. Some requirements are lessened if you are a small company; some are not. Unfortunately, this means that even if you have just a few employees, it may be close to a full-time job to deal with the all of the rules, regulations, and guidelines, not to mention the mountain of paperwork.

On-the-Job Training

Are you exhausted yet? Well wake up, because you haven't even started training your new employee! But before you can do that, you have to create procedures and systems that the employee can follow. You need to develop each procedure and break down each task to a level that is so basic and simple that virtually anyone can do it. That is the secret of the majority of successful businesses—they leave nothing to chance and everything to a clear procedure.

Once you create the systems, then you have to train the new employees and keep monitoring their progress. You need to tweak your procedures. You need to positively reinforce good work and find uplifting ways to change bad work. You have to be a shoulder to cry on when your employee breaks up with her boyfriend, and you have to be a stand-in if the employee gets sick. Then, you need to cross your fingers and hope that the employee stays for a while; otherwise, you will have to do this all over again with her replacement.

So, you have searched for the perfect employee, taken on the paperwork, abided by rules and regulations, incurred expenses, built a plan, and trained your new team member. After all of that, you will likely still have a mediocre employee. At the end of the day, many employees don't care if they do average work (and they definitely won't care as much as you do, because it is not their business). Ultimately, it is just a job to them, and if they don't want to be there, they can just leave; they have very little at risk.

Employee apathy can lead to bigger issues because your employee is a representative of your company. A rogue employee can damage a company in unimaginable ways.

Several months ago, my husband and I drove through a very well-known coffee chain on a Saturday afternoon. The attendant asked through the speaker, “What would you like today?” My husband ordered a black coffee. The speaker came on again, and we could hear giggles, which basically sounded like a few teenagers screwing around at work. The attendant replied, “I am sorry, can you repeat that?” Again, my husband ordered a black coffee. More giggles came through the speaker, and for the third time, the attendant asked, “What was that again?” My husband was getting annoyed and told the attendant that he wanted a black coffee and that he wasn’t going to repeat himself again. The attendant apologized and asked us to pull around to the window.

The bad customer service was less than impressive, but what happened next was unthinkable. The attendant apologized again and after asking if we wanted any cream for the black coffee, mumbled something about it “being crazy in there” and gave my husband the coffee. When we got home, my husband removed the lid to pour some milk in the coffee and noticed something foreign floating in the top of the coffee. We inspected it, photographed it, and after it didn’t dissipate in the scolding hot coffee an hour later, we were pretty sure that it was spit. Yes, the employee spit in the coffee and served it to my husband. I won’t go into the details about how we handled the issue, but as you can imagine, this severely damaged our relationship with that business, one that we—and mostly everyone we know—patronized frequently.

The point is that it wasn’t the business that spit in the coffee; it was a rogue employee acting on his own accord and against company policies. But our only recourse and relationship was with the company, not the individual employee. I hope this illustrates some of what you are getting into when you have other people to manage, some who don’t care about the business even a fraction as much as you do and who may act in ways that are unacceptable to you.

The Literal (Pizza) Pie-in-the-Face Incident

By the way, my spit-in-the-coffee story isn't an isolated incident (gross, but true). In April 2009, two Domino's Pizza employees made a video while working one evening at a Domino's Pizza store. The disgusting video shows one employee putting ingredients up his nose and then on top of food to be served to the customer, as well as sprinkling other nonsanitary items (I won't mention them here, but feel free to Google the incident) on top of customers' food. These special employees, in their infinite wisdom, then posted the video to YouTube, which as you can probably imagine, made the rounds to millions of internet viewers. The brand exposure, which was obviously very negative in this case, was probably more than Domino's spends on television commercials in a month.

Patrick Doyle, president of Domino's USA, swiftly took to YouTube with his own video to apologize, explaining that it was an isolated incident in one store in North Carolina and expressing his gratitude to customers and dedication to regaining customer trust. In addition to talking about the action Domino's was taking—firing the two employees, pressing charges against them, and sanitizing the store from top to bottom—Mr. Doyle made the following powerful statement: "The independent owner of the store is reeling from the damage that this has caused, and it is not a surprise that this has caused a lot of damage to our brand. It sickens me that the actions of two individuals could impact our great system where 125,000 men and women work for local business owners around the United States and more than sixty countries around the world."

This is an incredibly powerful example of the employee issue. Two rogue employees again could cause incalculable brand damage to an established company with rigorous systems and procedures. When you think about starting a business and evaluate the risks and rewards of entrepreneurship, think about having employees and keep these two situations in the front of your mind.

Passing the Buck a Different Way (a.k.a. into Their Pockets)

If that wasn't enough stress, you also have to worry about your employees putting their hands in the cookie jar. Whether it is taking money from the

cash register, not ringing transactions through the register and keeping the customers' money, shorting customers their due change, or stealing inventory, employees account for a large percentage of "shrinkage" in many businesses. You may have to install security cameras, you definitely have to build appropriate procedures, and most of all you need to keep an eye on your employees. I have heard of all kinds of stories regarding employee theft from entrepreneurs, from workers who would bag up inventory with the garbage, throw out the "garbage" and go back late at night to collect the goods and later sell them on eBay, to employees who were in charge of purchasing who ordered unrelated products and supplies for themselves.

There are employees who punch the time clock on behalf of other employees who come in late, to have the favor returned when they themselves leave early (in management classes this falls under the "exchange" principle). There are employees who steal the credit card numbers of the company's customers. You name it, it happens, and it happens more often than you would think.

Cash and inventory aren't the only items that can be stolen. Business secrets, customer lists, contract information, computer codes, and other prized business assets, tangible or intangible, can be taken by employees with access. In 2006, three people were arrested for trying to steal trade secrets from the Coca-Cola Company (including the formula for a new beverage) and sell them to PepsiCo (it was PepsiCo, by the way, that turned them in). If that can happen in a large company with tons of security, think of how vulnerable your small business is to theft.

The Burden of Responsibility

There is an additional burden to having employees, one that is emotional. That burden is a sense of responsibility toward your employees. The longer that your employees have worked with your company, the more a sense of family is engendered, making business decisions sometimes increasingly stressful.

I interviewed an investment banker recently who told me about one of his clients who was struggling due to some operational challenges in the

business. The business had been around for more a decade and had around $75 million in sales. Due to recent issues, the sales started to decline, and the business was unprofitable. The investment banker paraphrased what his client told him about his sense of obligation to his employees:

> We are a very transparent business, meaning that we share everything with our employees so that they know how we are doing. This includes our financial statements. This is very easy to do when the business is doing well and growing. It has become increasingly more difficult as things are not going well. We had the first layoffs ever in the history of the company, which was very difficult for all. The employees are like my family and now I am responsible for these people not being able to provide for their families. The employees that remain are now very concerned about their jobs as well. Now, I have the stress of trying to return the business to profitability and managing the anxieties of the employees. If I fail, it will impact all of us.

While of course the employees can find other jobs if let go, having employees creates extra stress and burden for an entrepreneur in the form of feeling responsibility for the employees and their livelihoods.

So, you need employees to grow and to make more money, but you need to make sure that they are doing what they are supposed to be doing and also not doing anything they shouldn't. Remember how you wanted freedom and to be the boss? Was this the picture that you had in mind? I think that maybe you would have more freedom and authority teaching kindergarten.

PERSONAL BRAINSTORM

TARGET FOCUS—RISK/REWARD:
How Employees Affect Your Place
on the Job-to-Business Scale

If you don’t have employees, or perhaps if you have just a few, you likely have more of a job-business than a business. Think about the following:

1. What are the benefits, issues, and risks of having employees?
2. If you plan to have employees, when do you plan to bring them on board?
3. What needs to be in place before you can take on any employees ?

If you conclude that you don’t want to take on employees in the near future, consider:

1. What limitations does the absence of employees create for your business?
2. Have you pigeon-holed yourself into a job-business instead of a business?
3. What additional risks and rewards do you have from a job-business versus a business?
4. Are the risks of creating the job-business worth the potential benefits?

Your plans to hire employees or not will affect what type of a business you have and add additional risks, issues, or rewards to your Entrepreneur Equation that you must consider.

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Sometimes "Cash Flow" Doesn't Flow

IF YOU ARE INTIMIDATED by or think there are enough headaches surrounding the financial aspects of running a business, you are in for a lot of fun (and by fun, I mean more headaches). In the game of business, financial statements are the key tool to help you keep score. If you can't keep score, you shouldn't be playing the game—especially not professionally!

A lot of entrepreneurs are not proficient in any aspect of financial accounting. They particularly do not understand how to manage the cash flow of their businesses. Cash flow illustrates the actual cash impact of running your business on a day-to-day basis, rather than purely the profits and losses. Cash flow has a significant impact on whether your business is healthy and if you as the owner can take home any money—which isn't always the case, even when your business is showing a profit.

FINANCIAL LINGO

CASH FLOW—Where the cash in your business is coming from and going to (and sometimes where it's just sitting or waiting to come).

INCOME STATEMENT—Also known as a P&L (profit and loss statement) or a statement of earnings, this shows the company's expenses and revenues for a given period (such as week, month, quarter, or year) to determine if you have made any income or profits (this is "on paper" earnings, which is different than the change in cash in your business). The income statement includes sales for that period, as well as cost of goods sold,

operating expenses (such as administrative costs), depreciation on assets, interest on any loans the business has or interest earned on investments, and sometimes income taxes.

STATEMENT OF CASH FLOWS—The statement of cash flows shows your sources of new cash coming into your business during a given period, as well as your uses of cash during that same period, ultimately demonstrating if your overall cash position is increasing or decreasing. It focuses on the actual change in cash, rather than income statement profits. It is generally organized by cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities. Even if a business is profitable, negative cash flow can cause a business to fail.

WORKING CAPITAL—Your business's current assets less its current liabilities.

When many entrepreneurs write their business plans, as well as when they do their accounting, they focus on the income statement, which they may or may not really understand. The income statement shows for a given period of time (a month, a year, etc.) the value of the goods or services your business sold (your revenue or sales), the direct cost of those sales (the cost of goods), and then all of the sales, marketing, administrative, and other expenses you incurred while running the business during that period of time. Many entrepreneurs tend to look at their income statement profit literally as what they earned (or will earn) during the period, and they focus on that number as a good snapshot of the business and its health. However, the profit is different from the cash flow of the business, because the profit doesn't fully capture the money you need to spend on major purchases or take into account the timing of when you get paid or when you pay your suppliers and vendors.

Cash flow from a business includes the operating profits of the business (adding back in any non-cash depreciation) and subtracts any increases in what is called working capital (or if you are lucky enough to have a decrease, adds that decrease back), and also subtracts any increases in investing activities (such as purchases of property, plant, or equipment) in

that period. This is the full information required for you to know how much money the business needs for that time period (which, if you raise money during that same period, will be referred to as a financing activity).

Your head is probably starting to spin. Just wait, it gets more fun.

Working Capital Starts with "Work" for a Reason

Working capital deals with the balance sheet of a business. A very cursory and basic explanation of working capital is that it is your business's current assets less its current liabilities. This includes assets that are considered usable in the short term, like accounts receivable (money owed to you for sales you make), inventory, and pre-paid expenses, less liabilities that are due in the short term, like accounts payable (money you owe to others).

Your eyes may be glazing over now because this is not easy stuff. Working capital definitely takes a lot of work to understand and to manage. Let me try to explain this further. In order for you to have goods to sell, it requires you to outlay cash. You may need to have the goods manufactured or buy supplies for you to make the goods yourself, and you may have one or several vendors or suppliers that supply you with the finished goods or material components. You, as a business owner, want to get the best payment terms (that means take as long as possible to pay your vendors and suppliers) to help you manage your cash flow. If you could be billed by your vendor thirty, sixty, or even ninety days after you received the goods or supplies, this would be fantastic for you. If your vendors agreed to extend payment terms to you, you wouldn't have to "come out of pocket" for the goods so far in advance of being able to sell them. However, getting favorable payment terms is particularly difficult for new businesses, as you have little clout and credibility—two of the Cs you left behind with your last job.

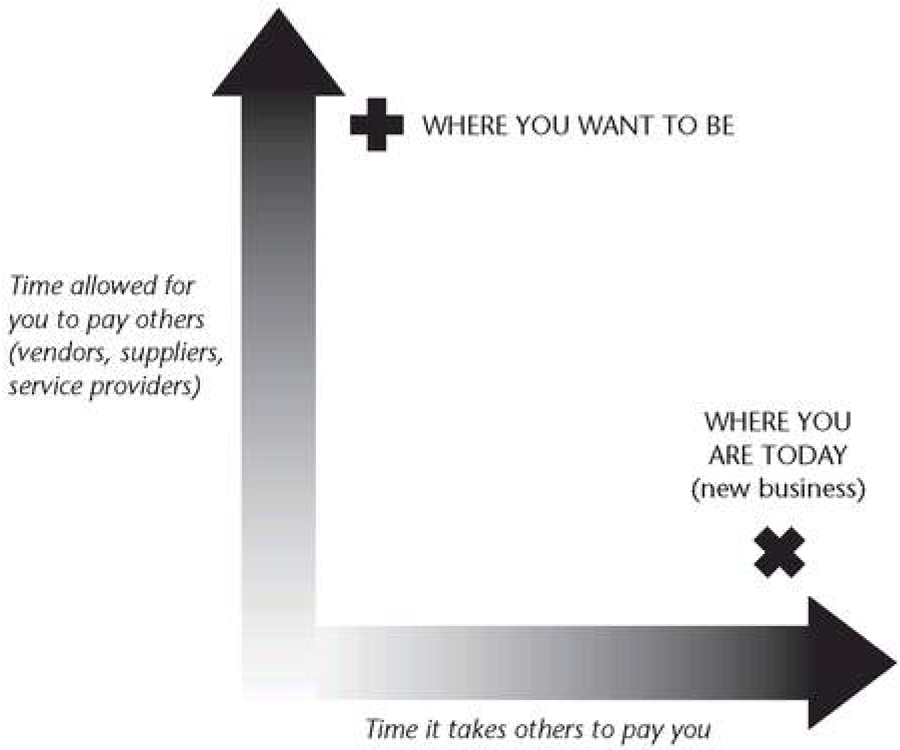
With your business being new, your vendors will be worried about you paying for the goods, so they will likely require that you pay for part or all of the goods upfront. So, you are starting in the hole outlaying cash. This is not captured on your profit and loss statement. While your money is being held by the vendor to make the goods, you may be able to work on making

a sale to a retailer. If you sell to the end consumer, you have to wait until you have the goods in hand before you can sell them. When the goods or supplies are finally sent to you, then you can sell those goods to your customer (assuming you have a customer who has placed an order, otherwise it may take a while for you to make the sale of your goods once you receive them) and record it as a sale for the business. However, the cash that you have outlaid to manufacture and receive your inventory may be gone for quite some time before you make a sale.

Payment terms with your customers will dictate if you are going to get paid once you make the sale. Depending on their leverage (i.e., if your customer is a big organization like Walmart or Office Depot), your business's size, and how desperate you are to make the sale, it may take them thirty, sixty, or even ninety days to pay you. Some customers may try to not pay you at all (then you have to go tracking them down, which means longer before you get paid, if you get paid). You also have to hope that your customers don't go bankrupt themselves in the meantime (think Chrysler, Sharper Image, and Circuit City), or you will become a creditor, and it will take a long time for you to get paid even a fraction of what you are owed, if anything.

This timing cycle for using cash for working capital in your business isn't just related to purchasing inventory. If you sell a service, like consulting services, your customer may not pay the bill for thirty days or more. However, if you hire a service provider (like an accountant or lawyer), he may require you, as a small business, to pay a retainer fee up front.

As a new and growing business, you need even more money to manage the business because every vendor and service provider wants you to pay them right away, but your customers will want to take as long as possible to pay you. The diagram below demonstrates where you are when you start out—where the "X" is on the diagram. Your customers are taking a long time to pay you, but your vendors, suppliers, and service providers are requiring you to pay right away (and sometimes in advance). As you become a large company (think Walmart or Mc-Donald's), you move to the plus sign, where you can dictate the terms because you are an important business with a lot of leverage. Then, you get more favorable terms of payment.



It’s not just working capital that you have to worry about. You may need to make large purchases of equipment, furniture, or other “property, plant, and equipment” for your business. This, too, impacts your business’s cash flow.

Having to worry about the cash flow in your business isn’t just relevant when you start a business. As you grow, you will need to purchase more and more inventory to meet growth demands, as well as more equipment to perform your services or run the business as it goes along. The more the business grows, for every dollar that your inventory, accounts receivable, prepaid expenses, and other current assets grow over and above the dollar growth in things you can put off paying for the same period of time (such as your accounts payable), that is another dollar that you have to finance in order for the business to grow. The same goes for every incremental dollar spent on property, plant, or equipment. This means that you either don’t get to take those incremental dollars home (i.e., they come out of your paycheck to help finance the growth of the business) or you need to find other financing, such as a loan, to pay for them. Ultimately, this means that you are not getting paid as regularly. As the owner, you are the last to get

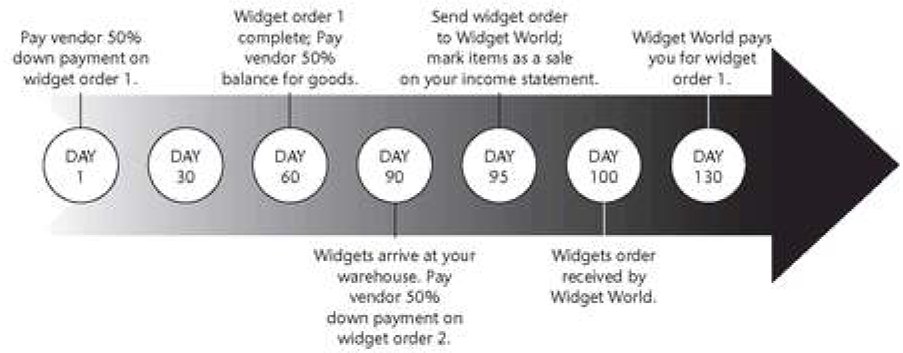
paid, and if the business is going to grow, it is going to require more cash to support it. This cash is coming out of your pocket in one way or another.

A Cash Flow Illustration

Let me give you an illustration of how this cash flow stuff might work for a new business. You start a business that sells widgets. You need to have the widgets produced overseas; so you find a vendor to produce them who requires a 50 percent down payment before shipping the widgets and then 50 percent upon shipment to you. These widgets take sixty days to produce and thirty days by boat to arrive at your warehouse (which is a reasonable timeframe, although many types of goods can take even longer to produce and be received from overseas manufacturers). Once the goods finally arrive at your place of business, you send them to a retailer, Widget World, who has agreed to sell your widgets in its store. Widget World is a big, important customer, so it requests thirty days after the receipt of goods to pay you. You don’t want to risk this important order, and therefore, you gladly agree. While you are waiting for Widget World to pay, you have more widgets produced from your vendors to fill future orders. Your business grows by 50 percent, so you need to order even more widgets than before. That sounds great, right?

It is great, because you are growing, but growth creates a challenge in managing your cash flow. You need to pay for the items before you sell them and with growth, that means that for every new order you place, you are paying for more and more items in advance.

Here is a timeline to show you what your widget business is in for:



So, if it takes you a few days to process your products and then ship them on to your customer, by the time you are able to record a sale on day ninety-five, you have had to put out cash (starting day one) on both the full amount of inventory for that order, plus half of your next order, which is even larger because you are growing. You don't see a penny from the first sale (which happens officially when you ship the widgets to Widget World) until day 130. This is a typical cash flow issue that is not shown on your income statement and is what makes running the financial aspects of a business even more challenging.

Now, let's go wild and assume you are very successful at selling the widgets and that you sell $20,000 worth of widgets in your first sale to Widget World. You are making a healthy 40 percent margin on that sale, so your direct cost of the widgets is 60 percent or $12,000. That means you have to spend $6,000 on day one and $6,000 on day sixty to get the widgets from your factory. And your next order is for $30,000 of widgets (an incredible 50 percent growth rate that will cost you $18,000 to produce), so you have to put out another 50 percent upfront payment (or $9,000) for the second order on day ninety. You start $21,000 in the hole just from having your first order produced and placing your second order, and you aren't getting paid your $20,000 on the first order until day 130 from Widget World.

During that time, you will also have ongoing expenses for your business: rent, employees, utilities, insurance, postage, and so forth, will all be due. Once you get the money in from Widget World, you will have a very short window before your next payment is due on order two, and you will have to start thinking about order three. If order three is bigger (because you are growing) that incremental growth will need to be funded by the business, meaning less cash available to pay you.

So, even when you are doing well, managing cash creates an issue. If your cash profits from the business aren't enough to fund the businesses growth, and you don't take on financing in some form, you can't grow the business. If you use the profits of the business, or take on financing to grow, you are either delaying taking home profits or you're taking on liabilities. If you take on debt and the business has a blip along the way, then you can get into big trouble and be in violation of your bank agreements, which can cause them to put pressure on your business, charge you exorbitant fees, or even take drastic measures like seizing your assets.

The more asset-intensive your business is, the more susceptible you are to cash flow issues. However, in virtually every business there is a lag between your expenditures and the time you get paid. If you have to perform services, you still have to pay for rent, marketing, telephones, payroll, and other fees while you are working on a project and before you get paid by the client.

Why Timing (of Payments, That Is) Is Everything

Suzette Flemming, president of Flemming Business Services, knows the timing issue all too well. Her firm, which has provided accounting, bookkeeping, payroll, and tax services to businesses for more than fifteen years, couldn't avoid cash flow issues in the recent economic downturn. As an accountant, Suzette knew what to do to enhance her business's cash flow: require payment up front for all services.

However, she explains, "As the economy started to shift and my clients started having cash flow problems themselves, I let some of the pre-payments slide and would wait thirty or sixty days before knocking on clients' doors and asking for payment. This has affected my ability to do payroll and to pay my other bills on time to avoid paying late fees."

She also endured stress and worried that "squeaking too much" could cause her to lose clients but not "squeaking enough" could leave her without any money from the clients. Two of her clients have declared bankruptcy, putting her ability to collect anything for her services related to those clients in jeopardy.

If this sounds incredibly complicated to you, it is. Managing cash flow is one of the trickiest aspects to running a business, and even some of the biggest, most successful businesses in the world have gotten tripped up by mismanaging their cash flow, even though they did a good job managing every other aspect of their businesses.

UNDERSTANDING FINANCIAL ACCOUNTING, INCLUDING CASH FLOW MANAGEMENT, IS REQUIRED FOR YOU TO KEEP SCORE IN YOUR BUSINESS. IF THOSE SOUND LIKE THINGS YOU DON'T EVER WANT TO UNDERSTAND, THEN USE THIS REALITY AS PART OF YOUR PERSONAL SCREENING PROCESS RELATED TO STARTING A BUSINESS.

If you don't understand financials very well, take the time to really learn and understand this aspect of business, because it creates one of the biggest stumbling blocks out there. You need to put in the time in the financial arena if you are going to be in charge of your own company.

Cash flow and overall financial management also adds an increased layer of risk as you evaluate the potential upside of starting a business, because to grow the business and make more money, it is going to require you to give up more money, which may mean a longer payback period on your investment. As mentioned, in a normal job, you don't have to pay anything up front to be employed. Other than investing in some work clothing, and maybe a briefcase and transportation to and from work, there aren't a lot of upfront costs for having a job. To get a raise (growth in your current job), it doesn't require you investing more money the way it does to grow your business.

Understanding financial accounting, including cash flow management, is required for you to keep score in your business. If those sound like things you don't ever want to understand, then use this reality as part of your personal screening process related to starting a business.

EXERCISE 19

TARGET FOCUS—FINANCES:
Assessing How Cash Flows Impact Your Risk and Reward

1. First, make sure that your financial model has a cash flow statement. If it doesn't, enlist someone to assist you with creating one (they should help you, not do it all themselves, because you need to understand the impact of the cash flow on your business). I know you may cringe at this, but it is critical to understand how much money you need to run your business.
2. Once you have your cash flow statement in place, do what is called a "sensitivity analysis" on the assumptions. This means, change the assumptions and see how that changes your cash flow in your model. Some assumptions you want to change include the following:

    - Imagine that 10 percent of the people who owe you money delay paying you by a month. How does that affect your ability to operate your business?
    - Can you pay your bills on time, pay yourself, and/or grow under this scenario?
    - What if 20 percent or 30 percent of your customers delay paying you by a month?
    - What if it takes sixty days or ninety days extra to get payment?
    - What if some percentage of your customers (10 percent or 20 percent) never pay you?

Given that it is impossible to predict your financials with 100 percent accuracy, and that most entrepreneurs tend to be overly optimistic, take these sensitivities very seriously. How does this change in the potential financial reward of your business or the extra risk of having money tied up for longer periods in the business change the opportunity for you? Use your findings to further refine and review the risks side of your Entrepreneur Equation.

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The You Show—Even If You Have Tons of Friends, You Are in This Alone

WHEN YOU START OUT, things are heavily dependent upon you. If you are up for being an entrepreneur, that is okay (and if you are not, then I hope you won't even attempt it). However, you may be misled into thinking that you have all kinds of allies, cheerleaders, and people who will help you succeed. Let's take a look at that.

Lots of Friends, Lots of Promises

When you decide to become an entrepreneur, you will have all kinds of people making all sorts of promises. A new business sounds exciting (in theory it does, and especially before any work has to be done), and everyone wants to be part of something exciting. Plus, people like to play the lottery, so in the several-million-to-one chance that you hit it big, they want to make sure that they have some association with the business so they can get some benefit out of it.

Have you ever been to a casino in Las Vegas and seen someone at the roulette wheel with a stack of cash and a bunch of friends surrounding him? He is placing bets, and his friends are chiming in, "Pick Black. No Red. Number seventeen!" They have nothing at risk, but they chime in anyway. They get the benefit of participating in the excitement without having any downside. Plus, if their friend wins big, maybe they will get taken out for a steak dinner.

When you start a business, you are that guy at the roulette wheel. You are taking the risk, and people you know will chime in uselessly because they have nothing at stake. People you know will tell you that they will help you

with the new business. They will give you unsolicited, and often unhelpful, advice. They will offer to provide customer leads or make introductions to low-cost vendors. They will tell you that they are going to patronize your business frequently and send all of their friends there. You will have tons of people making lots of great offers, and you will be pumped, as you have the equivalent of a volunteer fire department ready to make your business a success.

> WHEN YOU START A BUSINESS, YOU ARE THAT GUY AT THE ROULETTE WHEEL. YOU ARE TAKING THE RISK, AND PEOPLE YOU KNOW WILL CHIME IN USELESSLY BECAUSE THEY HAVE NOTHING AT STAKE.

You may assemble a world-class advisory board, have lots of moral support, and tons of friends, but let me tell you that whether your business succeeds will be 100 percent up to you. You will decide whether you sink or swim. Most of the people who made gracious offers to help will forget their offers (sometimes accidentally and sometimes intentionally) within five minutes of making them. Many of those who do remember making the offers won't follow through.

You will be going solo in your endeavor because you are the one taking the risk. Being an entrepreneur and starting or buying a business requires serious commitments. And these commitments are enforced, legally, financially, emotionally, and otherwise, upon you. It is going to be your money invested, your personal guarantees for any debt (potentially risking your house or other major assets), and your name on every dotted line of every piece of paper you sign. Regardless of the number of friends you have, unless they are co-signing your loans or other legal documents, you will be standing alone.

It's Your Name on the Dotted Line

From the day you sign your first legal document—perhaps your certificate of incorporation or even earlier, your retainer agreement with the law firm who is going to draft those documents—you are claiming responsibility for everything related to the business. You signed the contract, and you had better understand everything that contract says, because you are legally responsible for it. Even if your lawyer reviews it and says its fine, you need to make that judgment yourself. For the lawyer, the worst thing that happens is that it isn't fine and you have to pay her more money to help get you out of whatever situation in which you find yourself. For you, the worst thing that can happen is that you can lose or owe significant amounts of money and risk losing your business or your financial security.

I have seen entrepreneurs sign engagement letters with service providers, retail and corporate leases, tax audits, and vendor contracts without being able to fully and correctly explain the contract's contents. How does somebody risk their business, their financial security, thousands to hundreds of thousands of dollars, and potentially their homes, on something they don't understand? It is like gambling with the title to your house. Would you take the title to your house to the roulette wheel and bet it on black? I hope not. That isn't an educated decision—it is just gambling. You need to make sure that you don't do the same thing in your business. You need to remember that it is your name on the dotted line and that it is your butt—and bucks—on the line.

You're the HBIC or BMOC, So You Need to Know What's Going On

Your responsibility and risk doesn't end during your entire tenure as owner of your business. Do you remember how everyone scoffed when the CEO of Enron, Kenneth Lay, pleaded ignorance to his company's massive sham? The response was that he was in charge and therefore, he should know what is going on in the company. In that case, he wasn't even an entrepreneur behind the company—he was a hired gun, but he was the CEO and held responsible. When you are CEO of your own company, you need to know

everything that is going on in your business because not only are you in charge, it is your money, your business, and your future on the line.

This carries over into every aspect of your business. You can hire accountants to help you with your books, but ultimately you are responsible for the numbers. The accountants' accounting is only as good as the information provided to them. Previously, I referenced the phrase "garbage in, garbage out." I have seen that on many a company's books. There are a lot of companies who hire accountants to put numbers into QuickBooks or some other accounting program for them. However, because the owner doesn't understand the numbers or the financial side of the business, the financial statements are dead wrong.

I have seen financial statements prepared by CPAs that have told a completely misleading story. I have seen unprofitable businesses that looked profitable because the accountants just used the information given by the company and didn't really evaluate the "garbage" they were putting into the financial statement format.

One example was a major company that I was referred to by a well-known and intelligent lawyer (yes, if you have noticed the trend, I receive a lot of referrals from lawyers). This company sold gift products and had been approached by several competitors who wanted to buy the company. Based on the financial statements, the owner, the competitors, and the lawyer all thought that the business was worth millions of dollars. I was thrilled, as it is always more fun (and frankly much easier for me) to work with companies that are doing well than those who are doing poorly. As you can guess, I get hired by a lot more of the latter, which may just be a function of probability, given that the majority of businesses don't earn a profit over their lifetimes.

This is another long story, so I will keep it to the highlights. When I evaluated the financial statements, I noticed something odd. The company sold a lot of gift certificates. Every time the company sold a gift certificate, instead of recording it as a "liability" (i.e., noting that the company took a customer's money that day and in exchange, had to provide goods to the gift certificate holder in the future), it was marked as a sale at the time the gift certificate was sold. That is a huge problem—and by problem, I mean *error*—because that transaction didn't generate revenue; no products were sold. There was no associated cost to the gift certificate. There would be

when it is used by the holder; that is when the revenue from the certificate should have been booked.

For those of you not that familiar with accounting, let me break this down in a different way. Day one, the company sells a gift certificate for $100. On day one, the company owes the holder of the gift certificate $100 worth of merchandise in the future.

The holder doesn't redeem that gift certificate until six months later. If that holder picks an item that retails for $100 but costs the company sixty dollars to produce, the company makes forty dollars in gross profit from that sale on that day when the sale is made. If the holder picks a product that retails for $100 but costs the company seventy dollars to produce, then the company makes thirty dollars in profit on that day instead. The company's profit depends on what the certificate holder buys with that $100 gift certificate, on the date that the purchase of the goods is made by the certificate holder.

In this case, the company on day one erroneously recorded a sale of $100 from the gift certificate. There was no direct cost of the gift certificate that day since nobody had used it yet, so the company recorded $100 in profit on their books as well! That would be a nice business, but that business obviously doesn't exist.

The entrepreneur clearly didn't understand this, and gave the information about the business's sales to his accountants' CPAs who had been in business for more than thirty years! The accountants took the entrepreneur's information and prepared financial statements, assuming that they were getting good information. So, the financial statements showed the company with a ton of revenue and no offsetting costs associated with it. Every gift certificate showed up on the income statement at 100 percent profit. When merged with the rest of the business, it looked like the business was fabulously profitable. However, when you took out the certificates and recorded them properly, the business was in fact *losing money*. The company wasn't charging enough for their products to cover their costs, and they couldn't see that because of the accounting error. Their business, which everyone—including the lawyer and the CPAs—all agreed was worth millions, was basically worthless.

THE COMPANY WASN'T CHARGING ENOUGH FOR THEIR PRODUCTS TO COVER THEIR COSTS, AND THEY COULDN'T SEE THAT BECAUSE OF THE ACCOUNTING ERROR. THEIR BUSINESS, WHICH EVERYONE—INCLUDING THE LAWYER AND THE CPAS—ALL AGREED WAS WORTH MILLIONS, WAS BASICALLY WORTHLESS.

At the end of the day, do you know whose problem that was? It wasn't the accountants. They just arranged the numbers. It was the entrepreneur's issue, whose name was on every contract, whose money was on the line, whose name was on the dotted line (oh, and who also had a liability of several million dollars from unredeemed certificates). Several years after we discovered this error for them, the business owner was still dealing with the consequences.

Now, you may be thinking that the way around shouldering the entrepreneurial burden by yourself is to get a partner. In *The Art of the Start*, Guy Kawasaki advocates finding a "soulmate" with whom to start your business. I generally believe that partnering is easier in the tech world than in other industries (but is still not a layup). Finding a partner is a great idea in theory, but it's very tough in practice. Plus, it is not advisable to manage by committee, and it is not possible for two people to be accountable for any one thing.

Having an equal partner for your new business is the business equivalent of getting married. If you partner with someone you know and trust, you have the preexisting relationship dynamic issues to worry about, not to mention the longevity of your personal relationship if things go south in the business. If you don't know the person well, you are now entrusting your investment and livelihood to another person who could have all kinds of issues. If that person gets the business in trouble, you will still be held responsible and accountable. Do you want to give someone else the ability to put your business and financial security at risk? At the end of the day, if your name is on a contract, even if someone else's is there too, you are still 100 percent responsible for it, and any implications that come as a result.

As a recap, your name is on the dotted line, so everything related to the business affects you, and you need to be on top of it all. If an employee is stealing from the business, he is stealing from you. If you aren't paying attention, and funds are misappropriated, it is your loss alone. If you get bad legal advice, you are the one that is going to pay for it. So again, make sure you understand how serious of a commitment it is to have your name on the dotted line.

Oh, and remember those people who said they were going to help you in your business but never were to be heard from again? If you succeed, these people will in fact come out of the woodwork. They will be your best buddies, want to get free or reduced-cost goods and services, and accompany you to your luxury skybox (one can dream) to watch a basketball game. Success always finds leeches.

But if the going gets tough, don't count on any of them to help bail you out. Even if the tough times follow the good ones, even if you had success and they partook in it, you will face the tough times all by your lonesome. Ask any failure how popular he is, and he will likely tell you that he is quite lonely.

The Risk of Being the Key Man (or Woman)

A few business risks relate directly to you being the person in charge. This is sometimes referred to by large companies as "key man" issues. This means, God forbid, if something happens to you (the "key man," HBIC, or BMOC in your business), or even to the perception of you, the business can significantly suffer since you are so important to the business and its success.

Most people don't like to think about worst-case scenarios, especially when it involves something bad happening to them personally. Unless you are a major hypochondriac—or comedian Richard Lewis—you probably don't spend a lot of time thinking about your own demise or all of the bad things that could happen to you. Not surprisingly, most business plans include a lot of discussions about the upside but don't address contingency plans for when things go in the other direction.

When you have a job working for someone else, in the case of an accident or illness, you may not be able to work for a while. If your job isn't there for you when you return, you have the option to seek a similar job or even a different job. The only thing lost is your paycheck (that is, the only thing related to your job that you have lost). If you have racked up some major medical bills, you may be thrilled at the prospect of having a steady paycheck to return to in order to help pay those down.

The game changes when you own a business. While employed, you may feel badly if you are ill and can't finish a client project or something for your employer because you are unable to work. However, the burden of your absence doesn't fall on you. It is up to your employer to fill in the gap by finding someone else to finish your project for the client or getting the deadline extended to keep the business going. When it is your business, it doesn't matter if you are fighting cancer or in a coma, the business remains your (and your family's) responsibility. If you are unable to finish the client project because you are stuck in the hospital with tubes shoved into you, who is going to run it in your absence? This issue is obviously exacerbated if you don't have any employees (another reason to not create a job-business).

So, what is your Plan B? If something happens to you, who is going to open the business each day? Who is going to solicit new customers? Who is going to pay the rent and the payroll? Who is going to be responsible for keeping the business going and staying afloat while you are gone? The more that falls on you (which, especially in the first couple of years and really, for most of the entrepreneurial business, is a whole lot), the bigger this risk is. Ask yourself, can the business run without you? If the answer is "no," then what is at stake?

If and when you recover from your illness or accident, when you own your business, you don't go back to a job with a standard paycheck ; no, you go back to fixing a business that may now be hemorrhaging money (assuming it is still in existence after your extended absence). You may have difficulty paying your medical bills because your cash is tied up in keeping the business going. You are trying to muster the strength to make a full recovery from your illness, plus you have to deal with the stress of the business. Sound pleasant? I don't think so. In evaluating the risks and

rewards and best case and worst-case scenarios, be sure to think long and hard about whether you are prepared to encounter that risk.

Your being the key man can affect the business just by a change in others' perceptions of you. If someone wrongfully accuses you of a crime or unethical act, even if it is untrue, it can affect your business.

What if an even worse scenario happens? What if you unexpectedly die? Can your family or loved ones run the business, or will there be anything for them to sell and recoup your investment? Do they have a substantial amount at risk, such as having their house used as the business's collateral or having all of the family's savings tied up in the business? You need to take into account what is on the line for them as well.

Martha, Martha, Martha

A great example of how one person can be so important to a business, its success, and its value is Martha Stewart. Martha Stewart's company, Martha Stewart Living Omnimedia, is publicly traded. When I worked at Banc of America Securities, we were one of the investment banks that participated in the company's IPO. I was on the team that helped secure that transaction for Banc of America Securities. All of the investment banking underwriters involved in the IPO realized that Martha Stewart was key to the success of her business. Even though it was a large company, her name was attached to it, and she was important to the brand. When the company filed the documents related to its IPO (called the S-1 registration statement), the investment bankers included this issue as a "risk factor" for the business. Below is what was written in the Martha Stewart Living Omnimedia IPO filing to warn potential investors about this risk:

> THE LOSS OF THE SERVICES OF MARTHA STEWART OR OTHER KEY EMPLOYEES WOULD MATERIALLY ADVERSELY AFFECT OUR REVENUES, RESULTS OF OPERATIONS AND PROSPECTS.
>
> We are highly dependent upon our founder, Chairman, and Chief Executive Officer, Martha Stewart. Martha Stewart's talents, efforts, personality, and leadership have been, and continue to be, critical to

> our success. The diminution or loss of the services of Martha Stewart, and any negative market or industry perception arising from that diminution or loss, would have a material adverse effect on our business. While our other key executives have substantial experience and have made significant contributions to our business, Martha Stewart remains the personification of our brands as well as our senior executive and primary creative force.

This risk was proven to be significant a few years later. Martha Stewart Living Omnimedia's stock was close to twenty dollars per share in early 2002 when the news broke about Martha Stewart's alleged securities fraud (for those of you asleep during the early 2000s, she was accused of selling an unrelated stock based upon illegal "inside information"). The issue of Martha—the founder and key person at her company—potentially going to jail sent the stock to a low of approximately six dollars per share, and it didn't recover for several years, well after she was convicted and served time in jail.

The value of the business significantly declined and was seriously impacted by this unforeseen issue affecting Martha Stewart. In fact, that company has never really been the same since that incident, and while it is has had its ups and downs, at the time of writing this book, the stock was trading at just over three dollars per share. Martha Stewart herself valued the cost of the scandal at "[probably] more than a billion dollars."[1] Overall, an issue affecting one person, Martha Stewart, had a huge impact on the entire business, even though it was a very large business with other talented individuals helping to run the company. If that business can be affected in such a major way, imagine what could happen to your business.

What if the Worst-Case Scenario Happens to the Business Itself?

What if the worst-case scenario isn't you, it is the business? Can you financially and emotionally withstand a worst-case scenario? What if nobody comes to your store, wants your goods, or desires your services? What if an employee steals a significant amount of money or inventory

from you that can't be recovered? What if your goods, which you source overseas, are captured by pirates (hey—it happens), and you can't service your customers? What if a customer sues you or spreads the word not to do business with your company? What if the product you sell injures one or more of your customers and/or you have to do a massive product recall? These are all possible issues (okay, the pirate one is a bit far-fetched, but your goods could easily be lost in transit or delayed in customs) that create more risks when you own your own business. Is the extra benefit you get from having your own business worth the risk of the worst-case scenario?

I am not trying to scare you or provide outlandish "what-ifs." These are very real issues facing business owners that aspiring entrepreneurs never factor into the equation. You need to be sure you are up for the whole range of scenarios, including the good ones and the bad ones. Nobody panics too much when things go better than expected, but there is a whole lot of panicking in the face of a crisis. When you evaluate the risks required to start a business and the potential reward you stand to earn from that business, make sure to factor all of the risks, including the worst-case scenarios.

As a business owner, if you are barely making what you did at your day job, having to face all of the aforementioned risks will put that risk and reward equation way out of whack. Now, if you realistically have the capabilities to start the next Google, then the extra risks might very well be worth it. But remember, for every Google there are millions of sole proprietorships and small businesses that are barely cutting it.

ENDNOTES:

1 Martha Stewart, interview by Cynthia McFadden, *Nightline*, ABC, November 19, 2009.

SECTION FOUR

Assembling Your Entrepreneur Equation, and a Few Reminders in Case You Get Sucked in by the Hype

IN THIS FINAL SECTION, you will put together all aspects of the screening process for one final sanity check. Chapter 30 will take you through every part of your Entrepreneur Equation so that you can fully assess the risks, issues, and rewards given your particular circumstances and the opportunity you are evaluating to see if they are in balance and create a worthwhile trade-off for you. Chapter 31 will remind you of the realities of entrepreneurship with a few parting words of wisdom. Finally, Chapter 32 gives you a “cheat sheet” for reference and quick reminders.

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Finalizing and Evaluating Your Entrepreneur Equation

IF YOU HAVE GOTTEN this far and are still considering whether to pursue a new business opportunity today, you should do a final evaluation of your situation, the opportunity, and the overall risks and rewards as the final step in your screening process. You will look at (1) your motivation, to see if the realities of entrepreneurship will likely bring you the rewards you are seeking; (2) your timing, to see if you are best positioned to take on entrepreneurship today or if it would lessen the risks and/or increase the rewards by waiting; (3) your personality, to see if the path of entrepreneurship plays to your particular strengths, and; (4) your opportunity, to see if there are enough rewards in the business model. Then you will evaluate all of these qualitative and quantitative risks and rewards in your personal Entrepreneur Equation to make your ultimate entrepreneurship decision.

EXERCISE 20

TARGET FOCUS—THE OVERALL ASSESSMENT:
Putting Your Entrepreneur Equation Together

Now it is time to assemble all of the exercises you have completed to create your personal Entrepreneur Equation. So, what is your Entrepreneur Equation? It is simply the trade-off between the risks and rewards of a particular business opportunity for you, based on your personal current goals, opportunities, and circumstances. For the equation to make sense for you, your potential rewards need to greatly outweigh the potential risks in total.

Now that you have a clearer understanding of entrepreneurship, the current competitive environment, and what is required to start

and run a business, you can compile and evaluate your risks and your rewards. These risks and rewards should reflect your personal situation and objectives today, as well as the specific business opportunity you are evaluating.

Divide a piece of paper into two columns, one labeled “My Risks Today” and the other “The Rewards of the Opportunity.” Below are the areas you will be evaluating on each side of your equation:

My Risks Today:

- Timing risks (current finances, experience, responsibilities)
- Personality risks
- Risks related to the particular opportunity I am evaluating
- Capital risks (the amount you are investing, loans you are taking out, any lost salary)
- Risks of the opportunity cost of any investment
- Other financial and qualitative risks

The Rewards of the Opportunity:

- Qualitative and quantitative rewards from my motivation
- Qualitative and quantitative rewards of the particular opportunity I am evaluating
- Other qualitative and quantitative rewards of business ownership

Go back to the various exercises and brainstorms you have completed, using the questions below to help you revisit the exercises. Use the answers to help you fill out and then review the risks and rewards of your equation on your piece of paper.

1. **Your motivation**
   - Are you being motivated by the type of factors that will create success?
2. **Your timing**
   - Is it the right time for you to fully engage in a new business opportunity, given:
     - Your personal financial situation,

    - Your current experience,
    - Your current responsibilities, and
    - Your network?
  - Is there anything you can do over the next several months or years to give yourself a better chance of succeeding, such as prototyping or testing the business on a small scale or supplementing holes in your industry and business knowledge, skills, and experience?

3. **Your personality**
  - Do you have a personality whose character traits are consistent with business ownership?
  - Will you be happier being creative and entrepreneurial while working in another person's business where they are taking the risk or filling the "Santa" role?

4. **Your particular opportunity**
  - Is the opportunity you are evaluating a jobbie, job-business, or business?
  - How does that create new risks or limit rewards for you?
  - Does your opportunity have enough competitive advantages to compete effectively in the current über-competitive business environment?
  - Does the opportunity you are evaluating create enough of a financial return to be an attractive business?
  - Will you find more enjoyment in your passion if you are not dependent upon it for a paycheck?

5. **The risks and rewards for you**
  - What risks and rewards will be created by your new business?

6. **Other issues**

- What other issues will your businesses create that you need to factor into your risk and reward equation?

What you have now is your Entrepreneur Equation, with all of your specific risks and all of the opportunities' potential rewards. Now, for the million-dollar question: looking at your Entrepreneur Equation, does the business opportunity have enough rewards to justify the personal, financial, and qualitative risks you will be taking on? Do the potential rewards *significantly* outweigh the risks you will be taking and issues you will be enduring? Regardless of your answers to any specific exercise, if this trade-off equation is out of balance, *you should **not** pursue the new business*.

Go back to further evaluate your Entrepreneur Equation. As you look at the risks in your equation, is there anything you can do to minimize them and stack the odds more heavily in your favor? How about enhancing the rewards to make the trade-off more enticing? Reducing risks and increasing rewards can rebalance your Entrepreneur Equation to make a given business opportunity more worthwhile for you to pursue.

Remember, the components of your Entrepreneur Equation uniquely apply to you and your circumstances, and may shift over time. Evaluating your Entrepreneur Equation will be an ongoing process and your equation will change any time your objectives, opportunities, or personal situation changes. My goal has been to help you ask the right questions and provide some reality about what you are in for so that you can make an informed decision regarding pursuing a new business and properly assess the risks and rewards at any given point in time. Your circumstances in terms of your personal makeup, your experience, your finances, your responsibilities, and the particular opportunity you are evaluating will impact how much risk is appropriate given the potential rewards of business ownership.

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A Momentary Lapse of Reason

WE RECEIVE SO MUCH information in our lives that our memories are sometimes too short. This is probably why throughout history, the same failures always repeat themselves in different eras; pain is temporary, and when it wears off, it is easy to forget.

Just when this book was starting to make sense to you, when you were finally realizing all of the hard work, the trade-offs, the risks, and the issues that were involved in starting a business, something happened. You turned on *The Oprah Winfrey Show* and caught a segment on business successes. You saw Oprah interview a single mom who had no money, no experience, and six young kids and created a multimilliondollar business selling scented hand puppets out of her basement.

Wait, you're thinking. *If she can do it...*

There are a few thoughts I want to reiterate. My first thought is, sure, it is possible. However, *possible* and *probable* are not the same thing. There are people who win the Powerball multi-state lottery from time to time and take home more than $100 million dollars. The chances of that are really slim, and it sure isn't a good investment strategy to put all of your money into the Powerball lottery, but it is possible to win big, and some lucky one-in-a-few-dozen-million bastard will do it.

My second thought would be that maybe you didn't get the full story. I know a gentleman who recently sold his business for $20 million. Are you impressed? You shouldn't be, because he and his partners invested $35 million to get the business to the point that it was worth $20 million. Overall, they lost $15 million in that business, even though part of the story included a sale of the business at a $20 million value. But I didn't tell you that part of the story, so you just assumed that the $20 million number was impressive. You can't determine if a business is successful just because it is

called profitable, has a certain level of sales, or was sold for a certain amount of money. You need the gritty details.

The Rest of the Story

Remember, you don't always get the full story, like the widely held beliefs about Bill Gates's start. Maybe the lady on Oprah was a single mom without a dime but happened to have a rich uncle that financed the business. Maybe she had to raise so much capital that that by the time her creditors or equity partners were paid out, not much was left for her. Maybe she had a friend or mentor that had the exact experience, contacts, or relationships that she was lacking, and she used them heavily. Or maybe she was just that several-dozen-million-to-one lottery winner.

If you find your mind wandering, your memory getting short, and yourself enduring a momentary lapse of reason, go back to the *Let's Make A Deal* curtains and your personal Entrepreneur Equation. How much would you be willing to risk for the potential reward at the end of the day? Certainly you wouldn't spend hundreds of thousands of dollars of your savings on Powerball lottery tickets (if you would, you should put down this book immediately and go directly to Gamblers Anonymous).

Just because something *can* happen, doesn't mean it is likely to or that the odds make sense or that the risk justifies the reward. You could marry a supermodel or become a ruler of an island nation, but you probably wouldn't want to bet your savings and your salary on it. Keep that in mind the next time *Oprah, Forbes,* or Yahoo! News profiles some rags-to-riches business story. Also, keep in mind that the devil is in the details. They may not be telling you the whole story and just because you hear some statistics, that doesn't imply anything about the overall success of the business or the financial rewards of its owners. Chrysler was a multibillion-dollar business. If you heard about a multibillion-dollar company, you would think it was successful. In 2009, that company went bankrupt. One data point doesn't always relate to the others.

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The Cheat Sheet

THIS BOOK HAS A NUMBER of screening processes and sanity checks you can use to help you understand if you should own your own business today. If you were too lazy to read this entire book, then you pretty much failed the first screening process. You have to have the patience, be willing to do the research, and put in the work to make a business happen. As I have said, if you fail to prepare, you prepare to fail. Reading this book is not that much work, particularly compared to what you face as a business owner. So, if you can't make it through the screening processes right now, use that fact as a good reason to keep your day job.

On the other hand, perhaps you did read the book, and you want a handy guide to be able to quickly remind yourself why entrepreneurship is so challenging and may not be worth pursuing (and to give you a sanity check when you conceive your next "big idea"). Remember to keep asking yourself not "Can I be an entrepreneur?" but rather, "Should I be an entrepreneur, given my personal circumstances, goals and opportunities ?" Continually revise your Entrepreneur Equation, which will also shift as your personal situation and business opportunities do.

Whether you have read the book or not, here's a brief summary of each of the chapters highlighting some of the realities, risks, and rewards to consider as you evaluate whether business ownership is for you (either today or ever):

CHAPTER 1

> The American Dream and our business landscape have changed substantially over the past eighty years, yet many entrepreneurs are approaching business with an outdated perspective.

CHAPTER 2

Every career path that has a lot of risk (and potential rewards) associated with it has a screening process; entrepreneurship didn't until now. This book serves as that initial screening process for you as an aspiring entrepreneur.

CHAPTER 3

Experts have been doling out all kinds of advice on how to make your business successful for decades. However, the assumption may be wrong. Maybe you weren't meant to run a business, either today or—depending on your personality and priorities—ever. Plus, the entrepreneurship game has changed. There are more lucrative career opportunities, and there is also more competition in business today, which makes running a business a less-attractive opportunity with less upside potential than it was even twenty years ago.

CHAPTER 4

Entrepreneurship has nothing to do with being good at producing a good or a service or having a technical skill. Being an entrepreneur means that you are good at running a business, and that means doing less of any single thing and much more of a lot of different things (many of which you may find really annoying, like marketing and accounting). You also need to know if you are creating a job or a business. If you have no employees and the business is virtually synonymous with you, then you have a job. However, this is a job you have to pay for the pleasure of working at, with lots of risk attached to it. That may not be so smart.

CHAPTER 5

When you start your own business, contrary to popular delusions, you are not in control, and you have no freedom. You are controlled by your customers (without whom you do not have a business), plus a whole host of other people, from your employees to your investors to your landlord, all with their own agendas. Crazy enough, you

actually have fewer people with control over you when you have a job versus when you own a business.

CHAPTER 6

Your ego may make you want to go into business for the wrong reasons. You will encounter more rejection from potential customers in any business than in any job or job search. Also, having a good story to tell at cocktail parties is not a great reason to start a business.

CHAPTER 7

Ideas are not businesses. Good business ideas fail, and bad business ideas succeed. It is all about executing a viable business model. Everyone loves business ideas, but they are worthless (unfortunately) without work behind them.

CHAPTER 8

Hobbies are fun because we pursue them at our leisure. When you pursue them as a business, they become work. Also, if you know a certain hobby well, it doesn't mean that you can run a business related to it. If your business doesn't run full-time or generate the minimum wage on an hourly basis, then it is not a business, it is a "jobbie," a hobby disguised as a business or a job.

CHAPTER 9

When you own a business, you have more, not less, contact with people. If you are a loner, a business is not a solution to your problems.

CHAPTER 10

Who else are you responsible for that may be affected by your business decisions? Will your kids be happy if you have to decide to

use their college funds to grow your business? Remember, you can't make two things your number one priority.

CHAPTER 11

You need to have experience to make your business successful, both in your industry and in business. If you can't invest the time to learn an industry and business skills, why are you investing your personal savings?

CHAPTER 12

You may not have the time to start a business. If you start it when you work for someone else, they may own the business by default. If you try to fit it in after working, eating, sleeping, and showering, it may take you forty years to launch.

CHAPTER 13

Sometimes who you know is more important than what you know in business. If you don't have good contacts and resources, it will be hard for your business to succeed.

CHAPTER 14

If you have issues with money, including not having money, not having financial responsibility, or having an ultra-conservative approach to money, running a business is going to be extremely challenging for you.

CHAPTER 15

Business ownership is a roller coaster, not a merry-go-round. The highs and the lows are amplified because you have everything at risk.

CHAPTER 16

Sometimes things are fun for a day but lose a lot of excitement as time goes by. Imagine yourself running your business for a decade. Will you still enjoy it when it is no longer shiny and new?

CHAPTER 17

Impatience and business goes together like a hungry tiger and a wounded bunny. One will kill the other.

CHAPTER 18

To succeed, focus on your core competencies. If your core competencies don’t include being a strategic visionary or being able to wear a lot of hats at the same time, don’t put yourself in a position to do either.

CHAPTER 19

Hoping, wishing, and dreaming don’t make a business. The “secret” to a successful business is hard, focused work.

CHAPTER 20

Raising capital is difficult, necessary, and ongoing. The more you need money for your business, the less able you are to find it. You will always underestimate how much you need and how long it will take you to get it, probably by a factor of one-and-a-half to two times.

CHAPTER 21

Now is the most competitive business environment in all of history. There are more products and services than we need, split amongst a fairly static group of people and resources. Today, there are fewer opportunities to make the upside potential from a business than there were years ago, if you can even break through the noise to get potential customers’ attention in the first place.

CHAPTER 22

Sometimes, you are too smart for your own good. If you are great at doing certain tasks, it doesn't mean you can teach others to do them as well as you. You can't do everything by yourself either—there are only twenty-four hours in a day. Plus, if the business is fully dependent upon you, then you have a job, not a business.

CHAPTER 23

Buying a business is not a shortcut for entrepreneurship. Sometimes, you are just buying someone else's problems. You will always be at an information disadvantage when you purchase a business. Because people are greedy and won't sell their business if they know the next year will be even better, assume that whatever business you are evaluating will have imminent issues ahead and possibly its best years behind it (people don't tend to sell when the cash is sure to continue to roll in).

CHAPTER 24

Winning the genetic lottery doesn't automatically pass down an entrepreneurship gene to you. Just because you have a business that has been in your family for years doesn't mean that you can run it well (or will want to).

CHAPTER 25

Is the risk of the business worth the reward? Would you risk $990 for a chance at $1000? No, because there is not enough upside. You need to evaluate your business opportunities in the same way you would play *Let's Make a Deal* with your own money on the line.

CHAPTER 26

When you leave your job, you give up a lot of things you don't even think about. From paper clips, freshly brewed coffee, and benefits

like vacation time, to credibility, clout, and contacts, don't overlook all of the advantages you gain from working for someone else.

CHAPTER 27

Employees are necessary for growing your business, but they create all sorts of new problems for you.

CHAPTER 28

Managing the financial health of your business requires you to not only manage and understand profits and losses, but also working capital, investment needs, and cash flow. This is very complicated and is a factor that trips up even large, well-run businesses. If you want to play the game, you need to know how to keep score.

CHAPTER 29

Your business is the "You Show." No matter who else you think will help you, at the end of the day, it is your name on the dotted line. And what happens in the worst-case scenario? If you are the only one that knows what is going on and you get the swine flu, get hit by a bus, or die, then what happens? What is at risk when you have your own business?

CHAPTER 30

The risk and reward trade-off in starting a business will be personal to you and your circumstances. However, the potential rewards from your business opportunity need to greatly outweigh the risks you will take on and the issues you will endure. If they don't, you should not pursue that particular opportunity.

CHAPTER 31

There will always be a story about someone with rags-to-riches success. That person is either beyond lucky (the dozen-million-to-one lottery winner), or perhaps you aren't getting the full story. Just

because a business generates millions of dollars in revenue, doesn't mean it is profitable. There are billion-dollar businesses that have gone bankrupt.

That's it. I hope that you were able to get a better understanding of why entrepreneurship is so different and challenging in today's environment than it was generations ago and why the risks of starting, buying, franchising, and generally owning a business may not justify the potential rewards. If you decide to keep your day job, I am sure you will be motivated to focus on your core competencies and find a way to be entrepreneurial without having to become an entrepreneur. Or perhaps you will go the "jobbie" route and test out a business concept on the side to see if it has legs before pouring your life savings into it. If and when you do start a business, you should now be prepared for wearing many hats and feel confident that you have evaluated that the upside potential far exceeds the risk that you will be taking in terms of your money, time, and effort.

Whichever route you choose, I am sure we will be connecting again soon. I will be the one telling you that you have "spinach in your teeth" so that you can remove it, smile, and enjoy the rest of your day.

Okay, then. Lucy Van Pelt is officially closing shop for the day.

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About the Author

CAROL ROTH helps businesses grow and make more money. An investment banker, deal maker, and business strategist, she has helped her clients—who've ranged from "solopreneurs" to multinational corporations—raise more than $1 billion in capital, complete hundreds of millions of dollars in mergers and acquisitions transactions, secure high-profile licensing and partnership deals, create brand enthusiast programs, and more.

Carol is a frequent radio, television, and print media contributor on the topics of business and entrepreneurship, having appeared on Fox News Channel, MSNBC, Fox Business Network, WGN-TV Chicago, among others. Her *Unsolicited Business Advice* blog at CarolRoth.com was recently named as one of the Top 10 small business blogs online.

Carol holds a bachelor of science degree from the Wharton School of Business at the University of Pennsylvania, where she graduated magna cum laude. She currently resides in the Chicagoland area with her husband, Kurt, who is also an investment banker (and her former business partner). They have no children, pets, or plants, and are avid sports fans (particularly of NFL football). Carol is also a recovering toy collector, recently trading in

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THE WAR ON SMALL BUSINESS

HOW THE GOVERNMENT USED THE PANDEMIC TO CRUSH THE BACKBONE OF AMERICA

CAROL ROTH

NEW YORK TIMES BESTSELLING AUTHOR

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Dedication

This book is dedicated to my father, Bernie, who loved America and was the embodiment of the American Dream.

This book is likewise dedicated to all the small business owners who, despite the odds, continue to fight and persevere.

Contents

Introduction

In 2010, I wrote a book, *The Entrepreneur Equation*, that warned small business owners about the risks of entrepreneurship and owning a business. I made a case for why it is so hard to be a small business owner and entrepreneur—let alone a successful one. I covered how ideas are easier than execution, why you are never really the boss, the competitive landscape, and why everything takes longer and is more expensive and more difficult than you expect it to be and probably should be. I talked about the challenges of managing cash flow, employees, and customers in an ever-changing world.

With all of the challenges that encompass entrepreneurship, never, ever did I think that the most significant risk facing a small business in the United States of America was the risk of the government shutting them down for months on end and preventing businesses from operating.

Small business is the backbone of any economy. More than 99 percent of all businesses in America and worldwide are small businesses. In the United States, they account for around half the economy, but individually, they remain fraught with risk and fragility. The threats that small businesses face daily are varied and numerous, which is why so many small businesses fail and so many more fail to succeed.

Still, millions of small businesses persevere each day in the face of this multitude of threats. Moreover, the United States attracts entrepreneurs from all around the world because (1) some small businesses grow up to be the biggest companies on the planet, and (2) even those that stay smaller can determine and pursue their own definition of success. Small businesses support families, communities, and economic growth. So it is even more staggering to find that the biggest threat not only to their success but also to their existence is the US government.

Of course, government has always been an economic impediment to small businesses. City and state permitting policies in cities such as San Francisco and New York City prevent those without huge budgets from even being able to open a business. (A 2019 article by the San Francisco Apartment Association says you should have $350,000 to $500,000 in liquid capital because of permit delays just to consider opening certain bricks-and-mortar businesses there.) Licensing requirements and other laws further slant the ability to start and maintain a business toward those who already have created wealth. Licenses, permits, and other government-mandated business requirements are a cash cow for government and their cronies at small businesses' expense. And then there is local governments' penchant for giving tax breaks and other incentives to entice big businesses to their cities and states, without providing the same, or in many cases, anything of substance, for smaller operators.[1]

Then came 2020, when governors and mayors alike, particularly in big and blue states and cities, played an all-out nasty, uneven, and rigged game of picking economic winners and losers. To no one's surprise, this did not work out well for many clout-lacking small business owners. State and local governments decided big retailers could continue to operate while shuttering their smaller competition; smaller retailers, many of which offered the same or similar goods and services, found their businesses shut down. Small companies were forced to close and their employees required to stay home, while bigger companies and those that were well connected could remain open and be the beneficiaries deemed, by government mandate, to be "essential."

The War on Small Business is a book about the aftermath of bureaucrats who want to control everything realizing how hard small businesses are to control. It's a book about the battle between central planning and consolidated power versus decentralization.

When the federal government stepped in with its "assistance" via the Coronavirus Aid, Relief, and Economic Security (CARES) Act, it clearly favored the big, wealthy, and well connected. Whereas the Senate tried to pass a more streamlined assistance bill, Speaker Nancy Pelosi and the House of Representatives wouldn't pass a bill unless it was packed with cash for their cronies. While small business owners were forced to duke it out for limited funding under the Paycheck Protection Program (PPP) provision, the broader CARES Act gave away millions to politicians'

buddies such as the Kennedy Center (which ended up furloughing its orchestra and other staff after receiving $25 million, no "strings" attached), colleges and universities, including those that had multibillion-dollar endowments (many that were ultimately shamed into giving it back), and other "friends of government."

Even the PPP itself, a provision of the CARES Act aimed at assisting small businesses, was passed late given the circumstances, after many small businesses were already struggling from the government-mandated lockdowns. Moreover, the CARES Act made small businesses further government victims. The poor structuring of the PPP, whether intentional or not, left commercial banks making the decision to give their best customers (aka larger customers) preference, and initially left many of the smallest entities out in the cold. Though many larger funding recipients were shamed into giving back some of those loans and the PPP funding was ultimately expanded, the smallest businesses suffered to a point where we don't yet know the full damage.

Through these stories and others, I will explore two ideas. The first is about capitalism. Many of the critics on the left are correct that a problem exists. They see individuals and companies such as Jeff Bezos and Amazon achieving unparalleled wealth and value, and they sense something in the country is off course. However, critics consistently get these kinds of conflicts wrong. They think that government is the solution when in fact government created the problem. They misread the signs of impending disaster and too often lobby and fight for measures that will make the situation worse. America's "big business" problem is not what those critics think it is. It's not capitalism that gave the country a slew of companies with outsized power and control. In fact, only free market capitalism can fix it. These critics on the left look at America's greatest strength and mistake it for its greatest weakness.

Before advocating for and advising small businesses, I had a career on "Wall Street." As an investment banker, I worked mainly in what is called corporate finance, where I assisted growing companies such as retailers, restaurants, consumer product companies, and tech companies in raising capital in the markets to grow their businesses more quickly. I continue to be a market commentator on major business and news networks to this day.

I'm appalled by what I've been seeing.

From my courtside seat at the financial markets, it has been gut wrenching to watch the markets morph and see cronyism replace capitalism. I've watched the powerful and well connected work with government to enable a wholesale selling out of Main Street to Wall Street.

Though the path was set in the 1980s, it accelerated in the last twelve years and in 2020 was hiding in plain sight.

While small businesses struggled, Wall Street and the White House pressured the Federal Reserve ("the Fed") to take action to prop up the stock market. Though the markets suffered some initial losses, the Fed's actions enabled the markets to rebound quickly, meaning that many bigger companies didn't share in the sustained economic pain and losses that their smaller private counterparts—and the broader economy—were enduring. In fact, some of the largest companies gained substantially more value, with seven companies gaining $3.4 trillion collectively in 2020. Plus, the overall market saw strong gains and a record number of IPOs. This all happened, to add insult to injury, after years of the Fed keeping interest rates artificially low and allowing big companies to take on low-cost debt—which they did in large part not to fortify their balance sheets but to buy back their stock and boost share prices.[2]

This brings us to the second idea we will investigate. The more government has done under the guise of protecting "us" from the "big, bad wolf–esque" corporations, the more powerful those corporations have become. This is a puzzle that takes time to sort through.

It begins with the reality that millions of small businesses across geographies, industries, and size are too hard for the government to control. They are decentralized. It is much easier and more effective for government to deal with a handful of big, wealthy, powerful companies and big, wealthy, powerful unions. This has always made small businesses a roadblock to a complete political power grab.

Though the stage was set long ago, the past two decades have seen an acceleration in the erosions of individual rights without meaningful pushback, creating a centrally planned government behemoth at all levels—city, state, and national—that is so large and complex that it is replete with incompetence, fraud, and inefficiencies. Frankly, it is a miracle that this hadn't happened sooner.

Most of us haven't thought about central planning since the USSR dissolved a generation ago. However, the desire for power never dies, and

an easy route to consolidating power and wealth lies in directing and affecting the economy. The fewer the key players to regulate and the larger the portfolios of their executives, the more the government can direct via its spending and regulation. When you see politicians calling for new programs and bills, you start to realize how often both major political parties are calling for even more control via government.

This central planning, largely the opposite of free markets and entrepreneurship, has already sneaked in and replaced capitalism in large parts of our lives. The hybrid planning model now in place has created many issues.

The United States now spends more than just about any other country on education but has poorer outcomes than many, courtesy of the big but ineffective government. Moreover, the federal government has nationalized large parts of the college lending business. This has created a younger generation among which many have been given basically predatory five-to-six-figure government loans for college educations sometimes worth not even half as much. It's no wonder their classes didn't teach them why capitalism is good and socialism is bad. Moving toward central planning has enabled the cronyism that favors big business and lessens competition. Ultimately, it has given brazen government officials the cover to think they can just shut down an individual's ability to transact business without fair and just compensation to the business owner and not suffer any consequences themselves.

Allowing central planning to invade America and create a hybrid planned economy has enabled the government creep, size, and scope that always was going to end badly.

The last financial crisis was caused by systemic problems causing certain institutions to be deemed "too big to fail."

This new financial crisis was caused by an infiltration of central planning creating a government-run system that is too big to succeed.

Ultimately, small businesses were deemed by government too hard to control. Small businesses are a nuisance at best, or a threat at worst, to politicians because they represent broad decentralized power.

In fact, during the last financial crisis, big banks were given a bailout and a slap on the wrist in the form of more regulation. The outgrowth of that regulation let the big banks not only survive but thrive, killing off their smaller competitors. The number of independent community banks declined

by double digits and, post-legislation, the rate of new bank formation went from around a hundred per year to three. This had further consequences in terms of small businesses' inability to get loans; small business loan volume decreased while big business loan volume increased significantly. Truly, no "good" government deed goes unpunished for those who are not already powerful and connected.[3]

Small business presents a huge opportunity for any individual in America to change their lot in life. It is wholly intertwined with the American Dream. Regardless of their background and family or even if they arrive in the United States from halfway around the globe, entrepreneurship allows people to take control and build something. Owning a small business empowers individuals. It becomes not just their livelihood but a big part of who they are. And from Silicon Valley startups to a roadside hot dog stand, they embody decentralization and thwart government power, coercion, and control.

The government, big companies, and Wall Street have been waging battles against small businesses for decades. A piece in *The Atlantic* related that even back in 1938, "President Franklin D. Roosevelt hosted a conference in Washington, D.C., for 1,000 small business owners, hoping to gain their backing for the New Deal. But the beauty of the small business owner—a stubborn, sometimes radical independence—was also a political weakness. It was impossible to get the group to reach consensus on anything."[4]

Small business is synonymous with independence.

In 2020, as the opportunity presented itself, the government's battles turned into a full-out war on small business, with enormous consequences. People's livelihoods were taken away, and their souls and identities were crushed.

How did this happen? Can it be fixed before entrepreneurship and the American Dream are killed off entirely?

In this book, I will recount the framework of what happened in 2020, how it enabled total war on small businesses and individuals, and why the scenario was inevitable, even if not immediately predictable. I will also take you through some of the groundwork of the infiltration of central planning, working in conjunction with big business, that created this inevitability.

We will see how the United States has moved away from capitalism and why a return to individual rights, capitalism, and freedom is its best path to

return to prosperity and avoid an even worse economic fate.

Though many people have fought for freedom and the decentralization that comes with it, massive central planning is already here in America and wreaking havoc; now there must be a fight to dismantle that centralized power, save small business, and preserve the American Dream for every individual.

Chapter 1

The Government Black Swan

An Unpredictable, Unprecedented Pandemic Reaction

"Black swan" is a term often used in the world of investing, popularized in a book of generally the same name by the noted author, professor, and former Wall Street quantitative trader Nassim Nicholas Taleb.

The phrase has been adapted in popular culture to talk about major, unpredictable, yet very severe events that ultimately have a grave impact.

In early 2020, I went on Cheddar, a streaming financial news channel targeted at millennial investors, to talk about the size of the US debt, earnings, and the possible impacts of the new coronavirus on global markets and the Chinese economy. The anchors asked me about my biggest concerns. I replied that one of the things that could most significantly impact the market was a black swan.

A short while later, a black swan hit America.

Though many people will argue that the black swan was the coronavirus, it was not. Though the particular strain of the virus was not known previously, other coronaviruses had existed. And though we didn't expect a pandemic in 2020 per se—it wasn't on my upcoming events calendar, for certain—many high-profile people, from scientists to Bill Gates, had been warning of and planning for a pandemic for years. In fact, the federal government had run a several-months-long series of pandemic preparation drills across a dozen states just the year prior.

Taleb, who was "irritated" about people calling the virus a black swan, told Bloomberg Television in late March 2020, "'The Black Swan' was meant to explain why, in a networked world, we need to change business practices and social norms—not . . . provide 'a cliché for any bad thing that surprises us.'"[1]

Because it was not a black swan, preparation for the virus could be undertaken. In fact, Taleb, who focuses his research in part on probabilities,

coauthored a paper in late January 2020 saying that the virus's growth would likely be nonlinear and that behaviors such as what we now know as social distancing were prudent to take early on.

In his Bloomberg interview, he further said that governments "did not want to spend pennies in January; now they are going to spend trillions."

Though the pandemic itself was not a black swan, an actual black swan was born in its wake. What was that? The US government's reaction to the pandemic. The unprecedented decisions resulting in a historic, ongoing shutting down of a large part of the economy by direct order—that was a black swan. Nobody saw that coming. Government hadn't taken actions like that for other recent viruses; even in January, no one had been looking at the Chinese response and hoping to import it to the United States. In an era when information, technology, and resources are plentiful, no models or pundits were saying that at some point, the government's reaction would be to force people to stop working and doing business, let alone for months on end.

Yet the government did just that.

In terms of the virus, the government had a few paths to take. The first was early containment and eradication of the virus. That was blown by big government via a combination of arrogance, red tape, and typical bureaucratic confusion and inefficacy.

The second path was moving toward herd immunity, whether naturally or in conjunction with a vaccine. With vaccines known to take a long time to develop, even on an accelerated schedule, herd immunity via vaccination was not a near-term solution.

The final option was to suppress the virus.

The federal government suggested that people pitch in for just about two weeks—fifteen days—to ensure that hospitals wouldn't become overrun treating the new virus. Governors across the country mandated people to stay home and businesses to close. They locked down individuals and the economy. That is, unless they deemed your business "essential," leading to a game of the government deciding who would thrive and who would fight to survive.

Let me be clear: there was no full lockdown. In fact, there was no lockdown for large parts of the country, even in states and cities with a lockdown mandate. Notably, if you were a big or otherwise well-connected

company, you were likely to get the nod to stay open, even if a competitive small business a few hundred yards away had to close.

The suppression "plan"—I put it into quotes because it was hardly a plan—was to lock down some people and businesses, not based on age, vulnerability, or other epidemiological evidence but at the government's whim.

There was no clear discussion of or communication about what length of time, cost, or other collateral damage would be acceptable for a lockdown strategy.

Fifteen days turned into hundreds of days with little reversal of course. The virus wasn't fully contained, and the costs—financially, individually, socially, and otherwise—were enormous and imbalanced.

Once lockdowns were initiated, those who were most vulnerable and needed the most protection received the least care. Small businesses were, unsurprisingly, disproportionately affected by shutdowns, as were lower-economic-status individuals and households, who bore the brunt of performing "essential" jobs and struggling through child care and remote learning challenges that didn't impact households with more resources similarly. People who were struggling with issues ranging from mental health to domestic violence were also largely disregarded.

The elderly, who were known to be the most vulnerable to the disease, were not given special protections or allocations of resources. At the same time, those who were at low risk for COVID morbidity weren't allowed to live their lives freely.

The inflexibility of government entities to adapt, admit their mistakes, and change course meant that this harmful policy went on for months on end, with no clear end point, compounding the damage.

A little more than halfway through the year, the review platform Yelp did an analysis of the companies on its platform. Although Yelp-listed businesses account for only a fraction of the overall businesses in the United States, they are a useful proxy for businesses in general. As Yelp's platform typically rates consumer-facing companies (stores, restaurants, home service providers, and so on), it is also a good proxy for the types of businesses that would be most directly affected by shutdown orders.

Though in April, 175,000 businesses had closed on the Yelp platform alone, as of July 10, Yelp's data showed that still more than 132,500 US businesses were closed either temporarily or permanently. Though some

businesses were opening, bringing the overall number of closures down, the percentage of permanent closings was rising, accounting for a staggering 55 percent of all closed businesses. In the Chicagoland area, 4,400 businesses on Yelp reported being closed, and of those, 2,400 said they were closing permanently (aka, going out of business). As expected, in terms of overall closures as well as permanent closures, restaurants and retail outlets were the hardest hit, with beauty services, financial services, and home services as some of the other most affected industry sectors.[2]

In the restaurant sector, 60 percent of the businesses that were closed had posted that they were closed permanently.[3]

Though the Yelp data give a peek into specific industries, the reverberations from the closures of businesses such as restaurants and retailers affect the economy in a chain reaction. In addition to the direct jobs lost by the employees of those businesses, there is the economic activity lost—in whole or in part—by the companies that supply and service those businesses. From providers of produce and beverages to cleaning services and HVAC maintenance firms, other companies and their employees are impacted when their own clients are shuttered. This leads to fewer dollars spent in the economy, which ultimately affects other businesses as the cycle continues.

A report by the Hamilton Project, which looked at only the 6 million small businesses with employees (excluding the pre-COVID 24.2 million one-person businesses), found that more than 400,000 small businesses had closed permanently by June 2020. That means around 6.7 percent of all employer businesses in the country were forever shuttered by midyear.[4]

Ultimately, the small business closures, both temporary and permanent, played a substantial role in more than 40 million Americans' filing jobless claims by the end of May.

Meanwhile, the equity markets, which trade the stocks of larger companies, were seeing a different outcome. With many publicly traded businesses deemed "essential" while smaller businesses were not and others shielded from government actions by being technology based, plus an extra financial boost from the Federal Reserve, the stock market continued to soar. The Nasdaq Composite Index reached an all-time high on June 8, and the Dow Jones Industrial Average and S&P 500 were on the climb back toward theirs.

Though small businesses and individuals were struggling to survive, the second-quarter earnings cycle of 2020 saw blow-away numbers for large companies such as Amazon and Facebook, among others. On August 19, Apple hit a $2 trillion intraday market cap, making its market value greater than Canada's entire GDP.

Walmart blew past its second-quarter earnings expectations. A same-store sales increase of 9.3 percent and a near doubling of its online sales led the retailer to incredibly strong revenue ($137.7 billion for the quarter) and earnings.[5]

Target also reported a strong quarter, picking up around 10 million new e-commerce customers and increasing its profits by 80 percent, per its CEO and reporting.[6]

With people scared and out of work, small businesses struggling, and the number of unemployment claims making history, the government had induced an unfathomable recession and severe psychological damage. Yet the stock market, led by the world's biggest companies, was soaring to new highs.

This divergence of economic outcomes continued throughout the back half of the year, as the S&P 500 and Nasdaq Composite hit highs again in December, while many small businesses were forced by government to shutter once more.

How could this be? And was Taleb right—should this government action have been predictable?

Was this just another part of a long-standing campaign against small businesses and others too small to matter and in the way of consolidating power? What other damage lay ahead in 2020 and beyond?

To answer that, we need to start at the beginning.

Chapter 2

Hindsight Is 2020

How Overreliance on Government Led to History-Making Mistakes

When 2020 is looked back upon in the history books, it will show that the government at all levels—local, state, and federal—made a set of inane, irresponsible, and costly policy mistakes, both economic and social, that changed the course of history for the worse.

It will also show that there was a direct consolidation of power among government, big business, and other special interests at the expense of decentralized small businesses and individuals.

A Deadly Distraction

A few weeks into January 2020, the most prominent business and political leaders in the world arrived in Davos, Switzerland, for the fiftieth World Economic Forum Annual Meeting. Billed as an ideas exchange and widely lamented as a fancy mutual flattery festival among the powerful, rich, and famous, Davos is where the elite go to be seen and to network against the backdrop of exchanging heady political and societal ideas.

One of the biggest topics of discussion was China.

However, those "thought leaders" were not bunkered down, strategizing risk management for a new mystery virus that had been discovered in China. Instead, they were discussing the first phase of the long-promised multiphase trade deal between the United States and China signed by President Donald Trump and Chinese president Xi Jinping on the fifteenth of the month.[1]

That deal, announced on the final day of 2019, had carried stocks up to end the year, making 2019 a banner year for US equity markets, with the Dow, S&P 500, and Nasdaq Composite closing up 22.3 percent, 28.9

percent, and 35.2 percent for the year, respectively. Overall, the US economy was still in the longest economic expansion on record, ending 2019 with only a 3.5 percent unemployment rate, the lowest since 1969 and reaching historic lows across demographic groups.[2]

Though the US-China trade deal had many people, including the CEOs at Davos, skeptical about its specific tangible benefits, it did stem the possibility of further trade tensions, which could have resulted in higher tariffs and other economically unfriendly outcomes and took one big economic issue off the table.

That optimism spilled over from Wall Street to Main Street. January's small business optimism reading was in the top 10 percent of the past four and a half decades, according to the National Federation of Independent Business (NFIB), which publishes the Small Business Optimism Index. NFIB's chief economist, William Dunkelberg, said, "2020 is off to an explosive start for the small business economy, with owners expecting increased sales, earnings, and higher wages for employees. Small businesses continue to build on the solid foundation of supportive federal tax policies and a deregulatory environment that allows owners to put an increased focus on operating and growing their businesses."[3]

Although the US economic signals looked strong and the signing of the trade pact with China was, at least optically, a big deal, its timing could not have been any worse. Whether it was an intentional distraction tactic by the Chinese or just a whole lot of bad luck, that seemingly good development likely blew the early opportunity to contain the virus.

The development likely led President Trump to tweet his support of China and its efforts regarding the new virus, posting on January 24, "China has been working very hard to contain the Coronavirus. The United States greatly appreciates their efforts and transparency. It will all work out well. In particular, on behalf of the American People, I want to thank President Xi!"

Where was the tough Trump? Had the signing of the Phase One trade deal less than ten days prior made the president and his administration feel less inclined to rock the boat with or increase its scrutiny of China? The trade deal timing was unfortunate from a macro standpoint and likely put blinders on what would have otherwise been increased attention, and possibly earlier risk management and action, on the virus and its

implications. Instead of acting as disrupters, the president and his administration were behaving more like diplomats.

Fail to Plan, Plan to Fail

US lawmakers were so distracted by their own political antics that they were brushing off other potential concerns. Amid the political theater of the speaker of the House of Representatives, Nancy Pelosi, buying, distributing, and using souvenir pens to sign off on the resolution to send the two articles of impeachment against President Trump to the Senate and thereby initiating a Senate trial, the Centers for Disease Control and Prevention (CDC) was focused on the news from Wuhan.[4]

Although the Chinese had yet to confirm that there was a major coronavirus outbreak, and much was yet to be known about what was still a mystery disease, multiple deaths in China and the appearance of the virus outside China, including in Thailand and Japan, prompted the CDC, in conjunction with the Department of Homeland Security, to take action. They began screening passengers arriving in the United States from Wuhan, China, at two West Coast airports and one East Coast airport (Los Angeles, San Francisco, and New York's JFK).

Still, the US economy looked to be on a solid footing. Trade concerns had been slightly assuaged, the earnings season was off to a strong start, and existing home sales were up, so commentators were focused on "headwinds" (financial speak for things that could slow down the economy and market). These headwinds were centered around the possibility of slowing growth and the 2020 presidential election.

However, at least one senator was not feeling any goodwill toward China and raised red flags, contacting the CDC. Florida Republican senator Rick Scott asked the CDC in a formal letter, posted on his website, for information on "the agency's plan to combat the threat of the coronavirus" and urged "quick action to protect the health of American families." In his letter, he stated, "I am particularly concerned because of China's position as a global adversary and their general unwillingness to cooperate and share information with the United States and our allies. . . . Clearly, Communist China does not play straight with us."[5]

On the twenty-fourth, as Trump was tweeting his support to President Xi, Senator Scott publicly urged the president and his administration to declare coronavirus a public health emergency.

However, for the second time in four days, Dr. Anthony Fauci, the head of the National Institute of Allergy and Infectious Diseases who was a chief advisor and the top public health "expert," told a media outlet that the risk of Americans contracting the disease was low, downplaying the concerns and calls by Senator Scott to declare a public health emergency.

In the first instance, Dr. Fauci said, "It's a very, very low risk to the United States. . . . But it's something that we as public health officials need to take very seriously. . . . It isn't something the American public needs to worry about or be frightened about."[6] In the other instance, he also downplayed the risk, saying, "We don't want the American public to be worried about this because their risk is low. . . . On the other hand, we are taking this very seriously and are dealing very closely with Chinese authorities."[7]

Either way, in that moment, the Chinese government's history of being untrustworthy was discounted. Though the experts and administration were supposedly taking things seriously, they weren't taking enough preventive actions and certainly not creating any buy-in with or goodwill from the public, tactics that could have assisted in early containment and eradication of the virus.

While the US government was not moving quickly, if at all, on the new virus, in South Korea, government officials were meeting with top industry executives and medical experts, in some cases pulling people from their Lunar New Year celebrations to put together a plan of action. Having been more lackadaisical when Middle East respiratory syndrome (MERS) had emerged—the country had been hit with the most cases and fatalities outside the Middle East from the 2015 outbreak—this time, they vowed to do better and engaged the private sector to execute their plan. They agreed not to stand in the way of testing approval from a regulatory standpoint, and within a week of this meeting, South Korea had its first commercial test for COVID-19, the disease caused by the coronavirus.[8]

A Global Split

The Asian financial markets were the first to signal a problem. By January 27, the coronavirus outbreak had significantly rattled Asian markets, including the Japanese Nikkei 225, which closed down more than 2 percent on the day, a substantial one-day move. Those concerns sparked a sell-off in US markets as the three major indexes—the Dow, S&P 500, and Nasdaq Composite—all finished the day down between 0.6 percent and 0.9 percent.[9]

The markets were more concerned than the government seemed to be.

Seeing that the markets were unnerved, President Trump took to criticizing . . . the Federal Reserve, ostensibly seeing monetary policy as a silver bullet. He tweeted, "The Fed should get smart & lower the Rate to make our interest competitive with other Countries which pay much lower even though we are, by far, the high standard. We would then focus on paying off & refinancing debt! There is almost no inflation-this is the time (2 years late)!"

The markets, which were hooked on the Fed's meddling in the markets to investors' benefit, viewed this interaction and pressure favorably and recouped some of the previous day's losses.

The first look at GDP for the fourth quarter emerged with an estimate of 2.1 percent, which met expectations. However, this meant that for the 2019 full year, growth was slowing on a year-over-year basis, registering at 2.3 percent.[10]

As growth concerns percolated a bit on January 30, the director-general of the World Health Organization (WHO), Dr. Tedros Adhanom Ghebreyesus, declared the new coronavirus a public health emergency of international concern, or PHEIC. Despite the declaration, it seemed that the organization had less concern for the public's welfare and more for running interference for China. The WHO chief stated, "The main reason for this declaration is not what is happening in China but what is happening in other countries."[11] In its official statement, the organization said, "The Committee emphasized that the declaration of a PHEIC should be seen in the spirit of support and appreciation for China, its people, and the actions China has taken on the frontlines of this outbreak, with transparency, and, it is to be hoped, with success."[12]

The WHO provided few specific action steps and stated that it "does not recommend any travel or trade restriction based on the current information available." The organization's concern for China's feelings over global

health was just one of many significant political “leadership” bungles that impeded the containment of the virus in the early days in most of the world.

Meanwhile, the CDC reported the first known person-to-person transmission in the United States in Chicago, the husband of a woman infected while visiting China. A CDC director reiterated his belief that the “immediate risk to the American public is low.”[13]

The administration instituted a temporary travel ban on any foreign national who had been to China within the preceding two weeks, to go into effect on February 2. It was an extension of the previous screening efforts mentioned above. It redirected flights from China to the United States to a handful of airports set up as designated ports of entry, and the major airlines suspended flights between the United States and China.

By the end of the trading day on January 31, with the WHO announcement and concerns about the virus’s potential impact on the Chinese economy, the stock market was upended. The Dow dropped 600 points (around 2.1 percent) to its worst day since August 2019, the fifth largest one-day drop on a points basis within the prior twelve months. The S&P 500 also logged its worst day in many months, falling around 1.8 percent, and even the tech-heavy Nasdaq fell 1.6 percent. This move wiped out all the Dow’s gains that had been made by midmonth, when the year had looked to be off to a roaring start.[14]

There were a lot of big government distractions during the first month or so of the year, but that’s the nature of expecting a centralized body to be able to do all things, let alone anything, well. Realistically, how can the same people who are managing trade policy, killing terrorist foes, pestering the Fed about the stock market, and representing the country at diplomatic events, not to mention dealing with an impeachment and an upcoming election, also focus all their energy on a health crisis? They cannot. It is impossible to make two things, let alone dozens of things, a number one priority. Unfortunately, in this case, the most important thing got lost among all the others.

The Roller-Coaster Ride Begins

As the Chinese stock market opened for trading on February 3 for the first time since its Chinese New Year closing, the Shanghai composite index

dropped 7.7 percent.[15]

Despite this, in the United States it was a different story. The month began with market volatility but ultimately a big rebound and total reversal from just a few days prior. Larger companies saw different outcomes, as stocks like Tesla hit new highs, while Apple, which has substantial exposure in manufacturing and sales to China, bounced around. On the commodities front, oil signaled a bit of a concern as the price of Brent crude traded below $55 per barrel for the first time in more than a year off of fears that a coronavirus-induced global economic slowdown would impact oil demand.[16]

The next several days were upbeat on the hope of central bank intervention juicing markets worldwide, good earnings, decent economic data, and a fragile sense of optimism. On the fourth, the Department of Commerce reported a large increase in factory orders for December, a substantial reversal over the decline reported in November and the largest gain in around eighteen months. Even stocks directly impacted by the coronavirus, from the cruise ship carrier Carnival to major airline carriers, were up that day.[17]

The next day, February 5, on the back of the president's State of the Union address, the anticipation of the president's imminent acquittal by the Senate, and hopes that the coronavirus would be contained, the S&P 500 hit its new all-time record close.

The Senate ultimately acquitted President Trump of impeachment on both counts on the fifth.

Things were looking up, but that would soon change.

Generous to a Fault

Although it was not known until later, as testing at the time was limited and mostly contained to those who had traveled to China or had specific symptoms, the days that followed counted the first US deaths from COVID-19. However, instead of building up a preventive response to the virus and while private labs were trying to work around government red tape to get testing approved, US leaders were . . . sending critical medical supplies to China.[18]

The overhang from the newly normalized trade relations with China led to another US government misstep. Secretary of State Mike Pompeo announced that the State Department had

> facilitated the transportation of nearly 17.8 tons of donated medical supplies to the Chinese people, including masks, gowns, gauze, respirators, and other vital materials. . . .
>
> Today, the United States government is announcing it is prepared to spend up to $100 million in existing funds to assist China and other impacted countries, both directly and through multilateral organizations, to contain and combat the COVID 19. . . .
>
> The United States is and will remain the world's most generous donor.[19]

USA Today reported that it had analyzed US Census Bureau foreign trade data and found that despite the concerns and warnings about the virus, while the United States could have been building up its foundation of personal protective equipment (PPE) and asking companies to do the same, US companies had sold more than $17.5 million worth of face masks and $27.2 million worth of ventilators to China during January and February, far in excess of any similar period in the past decade.[20]

Why would the government be sending critical supplies abroad as more information was pointing to a pandemic?

Meanwhile, while most individuals—and government officials—were being arrogant in thinking that the virus would not spread broadly in the United States and those who were concerned were caught in a web of government red tape, South Korea already had approval for and begun COVID testing, and a couple of weeks later it was testing tens of thousands of people each day.[21]

Meanwhile, the stock market pushed ahead, shaking off coronavirus worries and anticipating a V-shaped global economic recovery (meaning that though the economy slides down sharply and quickly, it bottoms and turns around sharply to recover, like the letter *V*). At that point, about 70 percent of all S&P 500 companies had reported their fourth-quarter earnings, and more than 71 percent of them had beaten expectations. Even though the information was backward looking, the strong financial news kept investors focused on the Fed and company fundamentals instead of other global news.[22]

Additional solid earnings reports, a significant rise in the Bureau of Labor Statistics' Producer Price Index (PPI) in January, and the Federal Reserve's releasing its meeting minutes from January that reinforced its

accommodative monetary policy stance pushed the S&P 500 and Nasdaq Composite to again reach record highs.[23]

On February 21, the tide started to turn in the United States. Dr. Nancy Messonnier, the director of the CDC's National Center for Immunization and Respiratory Diseases, said that the agency was working with state and local health departments and preparing for COVID-19 to very possibly, "even likely," become a pandemic.

These new concerns brought fear to the stock market, although not as severe as one may have predicted. Commentators believed that the virus and its drag on the economy would likely only last a couple of quarters before the economy bounced back and resumed growth later in the year.[24]

The WHO finally conceded that attempts to contain the virus, though still possible, were not likely, and Italy went into lockdown as cases spread throughout Europe and Iran.[25]

Seven and a half weeks into the year, the messaging ball was still dropped, and the CDC was still behind in its testing. There was not much being done about risk mitigation, other than the travel ban, presenting many missed opportunities.

Market Selling and Leaked Information

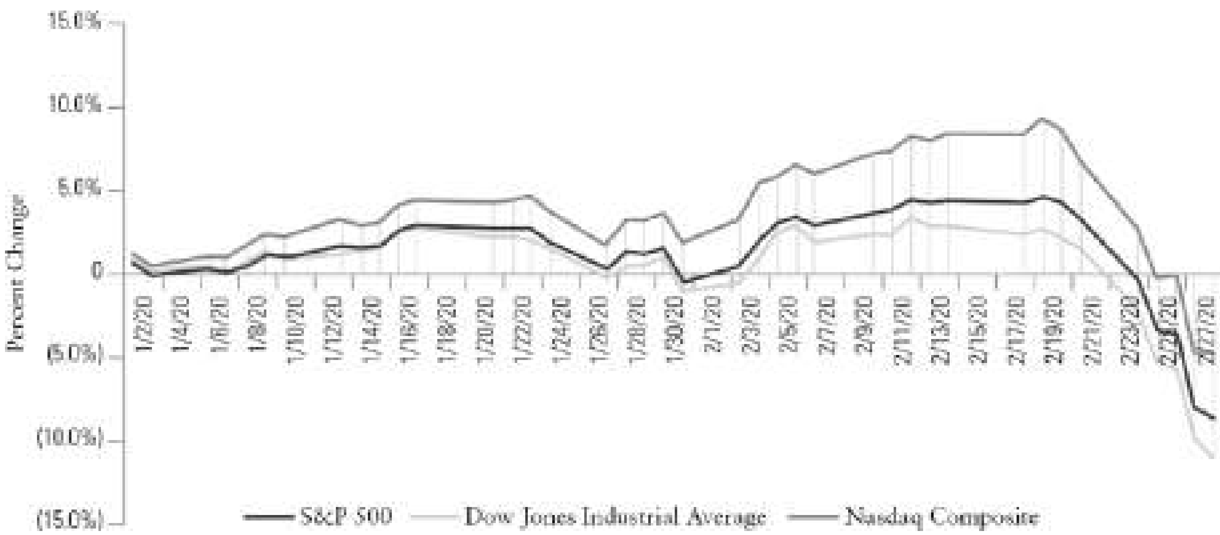
The ensuing week saw things unravel as the Trump administration and other agencies tried to ramp up their action. The CDC announced that the virus was spreading to people who had not been out of the country, leading to the assumption of person-to-person community spread of COVID-19. The president appointed a task force headed by Vice President Mike Pence and on February 26 assured the public that the administration and the country were ready and that "The risk to the American people remains very low."

The president also requested $2.5 billion in emergency funding, which was quickly rebuffed by Democrats in Congress as inadequate. Perhaps unsurprisingly, while congressional leaders were focused on the amount of money being inadequate for a response, they were entirely unfocused on any other steps that should be taken to help with the virus response.[26]

In fact, there was minimal proactive buy-in, advice, or direction for the public.

The week was a mess in the financial markets. Though markets are typically forward looking, they had been discounting any COVID impact and now were finally shifting their focus. On February 24, the Dow closed down more than 3.5 percent. Tremendous volatility ensued, and the week ended by seeing one of the largest weekly declines since the financial crisis (around 12.4 percent on the Dow alone), not only in the United States but also globally.

2020 Stock Market Performance (YTD % Change) Through February 28, 2020



Data via Macrotrends, https://www.macrotrends.net.

The sell-off was a reading of the tea leaves, and also, apparently, an insider report. It was later reported that some attendees of private briefings and meetings between members of the Trump administration and the Hoover Institution had leaked their concerns, perhaps even in excess of what had been communicated to them, to members of the investment community, putting a further drag on the market. Of particular note was a document reportedly authored by a hedge fund consultant in attendance at those meetings that ultimately led to in-the-know investor selling. Wall Street insiders got out of their positions ahead of Main Street even knowing there was a problem.[27]

Masking the Message

Though the China trade deal clearly created a blind spot that affected the potential for early containment of the virus, messaging represented another missed opportunity.

The market was pretty clear about what it was seeing, but it was sending an entirely different message from the one the government and media were sending.

The US surgeon general specifically told the public not to buy face masks. He tweeted, “Seriously people - STOP BUYING MASKS! They are NOT effective in preventing general public from catching #Coronavirus, but if healthcare providers can’t get them to care for sick patients, it puts them and our communities at risk!”[28]

The media ran interference on the “no mask stance.” A sampling of media tweets and a headline:

> February 26, *Washington Post*: “How to prepare for coronavirus in the U.S. (Spoiler: Not sick? No need to buy any masks.)”[29]
>
> February 28, MSNBC: “Frequent hand-washing, not wearing a face mask, is the most important step the public can take to prevent the spread of the coronavirus, the WHO says.”[30]
>
> February 29, CNN: “Masks Can’t Stop the Coronavirus in the US, but Hysteria Has Led to Bulk-Buying and Price-Gouging”[31]

Perhaps the misinformation from China and the WHO and the other historic events to contend with in January that might have put COVID on the back burner are forgivable, but by the time the United States declared a public health emergency at the end of January, it should have set up February to be a month of action. However, the month saw little coordination with the public and minimal testing, and instead of ramping up supplies in the United States, the government sent millions of dollars’ worth of needed supplies to China.

Americans heard that there was a low risk of contracting the disease and were emphatically told they did not need to take precautions such as limiting their travel or wearing masks. The public internalized a belief that this was a passing issue that would be much like other global health issues before—such as SARS and MERS—that, although serious, wouldn’t really affect them. There was no risk mitigation strategy or buy-in to take early action, despite many warning signs and red flags for a second entire month.

Those early mistakes were clearly on the shoulders of big government at the federal level and represented a complete bungling of the early containment and virus eradication potential path.

Testing, 1, 2, 3 . . .

Just as the government faltered on messaging, it also botched early testing. A congested, shortsighted, restrictive, and protocol-reliant government allowed precious weeks to pass without taking crucial action to test for and ultimately contain the coronavirus.

Trying to protect its turf and mired in its own web of bad regulation, the government failed to use the innovation, experience, and speed of the private sector that was available and had been ready from the start. Central planning thwarted capitalism.

MIT Technology Review conducted an interview with Keith Jerome, the head of virology at the University of Washington, who said, “The great strength the US has always had, not just in virology, is that we’ve always had a wide variety of people and groups working on any given problem. When we decided all coronavirus testing had to be done by a single entity, even one as outstanding as CDC, we basically gave away our greatest strength.”[32]

That’s a kind way of saying that centralization is bad and the government really messed up. That was a certainty, as the government embodies centralization and is therefore set up for failure.

How did it all happen? Well, shortly after the Chinese government published the genetic sequence of SARS-CoV-2 in January, the CDC designed a test kit that contained reagents (compounds that cause a chemical reaction, used in chemical analysis), in four vials per kit, to be used for testing patients for COVID. Pending FDA approval, the CDC, per protocol, intended to distribute the kits to public health labs to verify that the test worked.[33]

As you would expect the market to work, other scientific groups and companies were also working feverishly to develop a reliable COVID test. However, their efforts were stymied by the declaration of a public health emergency at the end of January. The declaration meant that the FDA would require that labs get what is called an emergency use authorization (EUA)

before proceeding with test development. This is a fancy way of saying that the government would not let the market proceed with testing unless it said it was okay.[34]

The EUA is a scaled-down process meant to accelerate the cumbersome government approval process. Yet in this particular instance, when every moment was of the essence, it did the opposite, exacerbating the issue by significantly delaying the creation of the badly needed tests by organizations other than the CDC. Obtaining an EUA involved rigorous data production and extensive paperwork demands and proved to be very time consuming for the entities applying for approval. Almost a month after the EUA was invoked, no lab had yet received approval to develop tests aside from the CDC.[35]

With the government in control, the frequent outcome of central planning happened: rationing of resources. Former Food and Drug Administration (FDA) commissioner Scott Gottlieb explained in a tweet, "Since CDC and FDA haven't authorized public health or hospital labs to run the tests, right now #CDC is the only place that can. So, screening has to be rationed."[36]

Resources were scarce, and the government wasn't allowing competition; therefore, the government decided how to administer the tests and to whom. Such is the predictable outcome of progressive-style central planning.

The FDA finally approved the CDC's test on February 4, 2020, and it was distributed to around a hundred different state and local public health labs throughout the country to verify the CDC's results, per protocol. The majority of labs receiving the first batch of fifty test kits produced inconclusive results from one of the reagents. The CDC's test did not work, and no other lab had the authority to develop another test.[37]

Nancy Messonnier said that the verification problems experienced by labs were "part of the normal procedures," and until new reagents were manufactured, all COVID-19 testing would continue to go through only the CDC laboratories.[38]

That government decision would, of course, further slow testing.

The *Washington Post* reported that by mid-February, while officials from the FDA and CDC were meeting to discuss the test flaws, clinical labs tried to gain testing approval via devoting "hundreds of hours to the FDA's

paperwork and data demands." The Mayo Clinic, for instance, created its first fifteen-person rapid response team, a third of whom spent fifteen hours a day for three weeks trying to meet the FDA's data and paperwork demands. "'It's unlike anything we've ever done before,' said Matt Binnicker, a director of clinical virology at Mayo."[39]

The *Washington Post* also spoke with Alex Greninger, an assistant director of the University of Washington's clinical virology lab. He spent more than a hundred hours to comply with the paperwork for the FDA application, but the agency rejected it . . . because it had been submitted by email. It quoted a letter Greninger wrote to colleagues on February 14, saying, "The most pernicious effect of the current regulatory environment is that it kneecaps our ability for preparedness should a true emergency emerge."

While the government was messing around with protocol, other countries such as South Korea (which, as noted, had been through a similar process with MERS and knew the testing challenges) were using private companies to advance their testing capabilities.[40]

But with only one laboratory screening tests, the CDC, US testing was severely backlogged.[41]

Eventually, several labs discovered that if they didn't use one of the four vials in the CDC test kit, they could verify the CDC's results. That was enough for the labs to want to begin using the tests, but there was a snafu: the government. FDA regulations forbade doing that. Labs were required to use the test "as is," with no modifications.

Without a viable test and with no other lab having EUA, the government scrambled to find a solution. It took another three full weeks before the FDA finally announced that it would relax its rules and allow labs to modify the test or design one of their own.[42]

By the first week of March, just shy of 4,400 people had been tested for the coronavirus in the United States, compared with *The Atlantic*'s estimate that at the same point in its outbreak, South Korea had tested 100,000 people. South Korea had brought in the private sector early and relied on it to assist with testing instead of being mired in government bureaucracy. Though they had discovered the virus in their populations on the same day, by the time the much smaller South Korea had tested 290,000 people, the United States had tested only 60,000. Based on March CDC data on hospitalization rates for deaths and the overall impact of the virus, one can

extrapolate that the United States likely had hundreds of thousands of undiagnosed cases at that point.[43]

The kits from the CDC were both faulty and unreliable. The *Washington Post* reported, “From mid-January until Feb. 28, fewer than 4,000 tests from the U.S. Centers for Disease Control and Prevention were used out of more [than] 160,000 produced.” Compare that with the coordinated efforts of a small German company that produced and shipped more than 1.4 million tests for the WHO by the end of February.[44]

It was a battle of entrepreneurship and decentralization versus the cumbersome big government, and the government was not winning, to everyone’s detriment.

The CDC’s faulty test and the FDA’s unwillingness to loosen the EUA regulations made it impossible for public health officials to gauge the spread of the illness—crucial to modeling it, assessing it, and containing it. That early blunder had a grave impact on the spread of the illness and the decisions made from it, including the economic implications of the government shutdowns across the country.

Industry participants begged the FDA to loosen its rules and formalities. On the last day of February, the FDA finally modified its regulations and allowed “certain laboratories seeking to develop diagnostic tests” to modify the CDC test kit or develop their own, “in order to achieve more rapid testing capacity in the U.S.”[45]

Reports estimated that about 5,000 virology labs (out of around 260,000 in the country) had qualified. As testing began, they received positive test results for the virus.[46]

On the night before and the day of President Trump’s declaring COVID a national emergency, several major health care companies received EUAs and were beginning testing.[47]

However, at the time of the emergency declaration, so few tests had been conducted that government officials did not have a firm grasp on any data around COVID. While South Korea had been testing 5,000 people per million, the United States was just coming up to testing 125 people per million. That lack of reliable data meant that government officials were making decisions pretty much flying blind.[48]

March . . . Forward?

Big government had missed messaging opportunities, sent critical supplies to China, and impeded testing progress. Only the Federal Reserve took decisive action.

The Fed rattled the markets by making a surprise emergency rate cut on March 3, its first since October, signaling to investors that the outlook for the virus was much worse than anyone had thought. That increased volatility in the markets and sent all the major averages (Dow, S&P 500, and Nasdaq Composite) down by around 3 percent—nearly 800 points for the Dow—despite the markets' having had a huge up day (nearly 1,300 points on the Dow) the previous day.

Though public market investors understood the signals, local governments did not. New York State was late to act, and New York City was still giving poor guidance—at least from a virus containment standpoint. On March 3, New York City health commissioner Oxiris Barbot said, "We are encouraging New Yorkers to go about their everyday lives"[49] and the following day, during a press conference, she said, "So, there's no indication that being in a car, being in the subways with someone who's potentially sick is a risk factor."[50]

The big-government proponent Mayor Bill de Blasio felt, with mistaken hubris, that instead of making commonsense decisions, people should look to him for behavioral cues. He said on the fifth, with almost two dozen confirmed cases in New York, "We'll tell you the second we think you should change your behavior."[51] He also took the subway that day to demonstrate that New Yorkers shouldn't be afraid of the virus.[52]

The glaring fact here is that there was no believable messaging or pushback to this particular scenario or others playing out around the country. Anything that was said had a political overtone; any coordination was based on political lies. Though people were doing their own prudent risk management, such as going out to buy supplies, including masks—that whole "personal responsibility" thing—they were being fed an entirely different and often conflicting narrative by various government representatives.

An Economic Crisis or a Health Crisis?

With the stock market reeling, on the evening of March 11, President Trump addressed the nation, saying, “This is not a financial crisis. This is just a temporary moment of time that we will overcome together as a nation and as a world.” It is noteworthy how this was viewed in financial terms, perhaps due to fears of a systemic crisis such as the one we had seen during the “Great Recession” just more than a decade prior. Little did Trump know how easily the health crisis would be turned into an economic crisis by state and local government actions.

Trump’s administration, mostly via Treasury Secretary Steven Mnuchin, worked with the Democrats to create a bill that would not be a full relief bill but would address some interim concerns. Given the urgency, Senate Majority Leader Mitch McConnell canceled the planned Senate recess.[53]

The Senate Republicans were not happy with the bill, but they went ahead with the vote believing that it was too urgent to delay further. McConnell said of his unhappy Senate colleagues, “My counsel to them is to gag and go for it anyway even if they think it has some shortcomings, and to address those shortcomings in the bill we’re in the process of crafting.”[54] The Families First Coronavirus Response Act (FFCRA) was signed into law by President Trump on March 18.[55]

The coronavirus situation—or at least the reaction to it—worsened rapidly. On Friday, March 13, President Trump formally declared COVID-19 a national emergency. He said that doing so would provide access to tens of billions of dollars in additional Federal Emergency Management Agency (FEMA) funding reserved for such situations and allow the Department of Health and Human Services to modify or waive regulations and laws, including for Medicare, Medicaid, and other programs and to deliver coronavirus testing more quickly.[56]

As the national emergency was declared, it marked a turning point in state and local authorities’ actions.

It was also the day that everything changed.

Central planning had failed at every turn. It had failed to contain the virus. It had failed to shore up PPE. It had failed to expedite testing. But the next steps of central planning were not just a failure; they were an act of war.

Chapter 3

Fifteen Days to Slow the Spread

Exploring Government Choosing Winners and Losers via the Myth of "Non-Essential" Businesses

Shelley Luther is like many of the approximately 30.2 million small business owners in America.

An affable woman with a dimple in her cheek and blond hair cut in a bob, Ms. Luther is a symbol of the backbone of the US economy. She became a professional makeup artist and went the road of opening her own salon, Salon À la Mode, in Dallas, Texas, which provides a range of personal care services.[1]

As of March 2020, Luther's salon was the home base of the livelihood of not just herself but an additional nineteen people with contractor status, which is very typical in the personal services industry. As an entrepreneur, Shelley Luther isn't Amazon's Jeff Bezos or Facebook's Mark Zuckerberg. Still, her salon business helped support her family, helped stylists support theirs, and contributed to the local and national economy.

On May 5, 2020, her American Dream turned into a living nightmare. She was taken into custody after a court hearing and booked in the Dallas County jail.[2]

What had that woman of Main Street done? Had she committed murder, arson, or fraud? Did she have a feud with a neighboring stylist that came to violence? No.

What she had done was . . . drumroll, please . . . have the audacity to open and work in her own business.

Yes, Shelley Luther was thrown in jail, in America, in 2020, for working.

About a month and a half before, in the middle of March, Texas, as well as a slew of other states and local jurisdictions, had started putting all kinds

of bans into place to deal with the disease caused by the new coronavirus, COVID-19.

Though the situation was uncertain, the mandates were unprecedented. Government entities, the same ones that were supposed to protect property rights and all individual rights, told many businesses, primarily small businesses, that they were considered “nonessential” and that they had to shut down, some in whole, some in part.

That was it: millions of businesses across the country received directives to close but nothing else. No compensation for helping the government or “society,” no special provisions to safeguard their own or their staffs’ livelihoods; just pack it in, shut it down, and go home.

Luther’s salon was one of those businesses, and she complied with the order to shut down.

The same situation was repeated across the country, as small businesses shuttered their storefronts and were forced to tell their employees they had no jobs until further notice.

But two weeks became three, then four, then almost five, and Luther wasn’t going to sit home anymore. She had a family to care for, as did her stylists. So on April 24, 2020, she decided to go back to work and reopened her salon. Noteworthy, at that time, was the fact that there were no unusual spikes in hospitalizations for COVID in Dallas County.[3]

As she later said in an interview, she didn’t mind trying to help the health care workers on the front lines avoid being overwhelmed by closing her business for a couple of weeks, perhaps even three. Eventually, though, her hairstylists had decided to continue to see clients. Luther said they had told her, “‘Look. I’m about to go to people’s houses to do hair because I just don’t have any money.’” She continued, “I decided to open because it’s not safe for them, obviously, to be going to people’s houses for them or their clients. I just felt like if I opened, I could create a sterile environment and make it at least a lot safer and follow CDC [Centers for Disease Control and Prevention] guidelines and regulations.” She added that she “didn’t want to be the reason why [the hairstylists] weren’t making money.”[4]

The disconnect between what was deemed essential by government was also glaring. Luther said, “When I have other businesses like the pet groomer next door that’s been ‘essential’ the entire time, you could buy CBD oil, you could go to Home Depot and buy flowers, I mean two hundred people in the garden section, I didn’t see why it would be any

different for me to open up using much safer guidelines than what they were doing."[5]

Luther decided to stand up for herself via taking back control of her rights and her property and for other businesses through becoming active in the Open Texas movement, which advocated for the prompt reopening of the state.[6]

She ignored a citation from local authorities. She tore up a cease-and-desist letter, and she started using the hashtag #Rememberthealamode, a "punny" nod to her salon's name and situation.

In a social media video, she said she would be willing to go to jail to prove what government was doing was unconstitutional.

She also tried to work with the government, reaching out to them, often unsuccessfully. However, in an effort to expedite fully reopening the economy, Texas governor Greg Abbott's team reached out to her to get ideas on how salons could open safely.

In parallel with this attempt at collaboration, Luther received a temporary restraining order for her salon that she decided to ignore, as she had done with the other notices.

By May 5, she found herself in county jail.

It wasn't a scare tactic or a dramatic scene meant to prove a point. The reopening was treated as a serious crime, and Luther was brought before a judge to be sentenced.

Dallas district court judge Eric Moyé sentenced Luther to a $7,000 fine and a week in jail, an incredibly excessive penalty for disobeying an order that was likely unconstitutional. Moyé tried to get Luther to apologize, using that and an agreement not to reopen before government orders allowed her to do so as a trade-off to potentially let her avoid jail time.

Luther stood firm. She would not apologize for earning a living. "Feeding my kids is not selfish," she told the judge. "If you think the law is more important than kids getting fed, then please go ahead with your decision, but I am not going to shut the salon."[7]

Judge Moyé said Luther "expressed no contrition, remorse or regret."[8] Who among us would express remorse about wanting to work and earn a living—in the free land of America, no less?

Though the actual violation cited was civil and criminal contempt of court, the underlying story was that a small business owner in America was

put into jail for trying to work (not to mention while plenty of other Americans were still working).

You might want to judge Luther in your own court of opinion because of political tribalism. You might say she was selfish, as the judge did. You might say that a hair salon visit isn't an emergency or that she didn't need the money. Though it is easy to judge when you are not walking in her shoes, remember that there were many businesses that remained open; not every business had to close, and Luther did not receive appropriate compensation for closing. In Texas, a slew of other businesses—especially big businesses—from grocery to home improvement retailers, were open. As Shelley Luther said in her interview, the pet-grooming business next door was open, so a "chosen" business could offer an animal a trim, but Luther couldn't offer her human clients the same. It was all so arbitrary, damaging, and an overstep of government authority.

Luther told the *Texas Tribune*, "Reopening my salon wasn't a political statement, it was a necessity for the people that rely on it."[9] But for many small business owners, she was the hero they needed to push back against unreasonable mandates.

With a situation so unusual, so tyrannical, and so un-American, as you can imagine, users of social media were quick to jump on it. Some people disapproved of Luther for being self-centered, but many others backed her cause as an important symbol of individual rights and freedom. One Twitter user, @rwm52, summed it up perfectly, tweeting, "The hair salon and barber shop were symbolic of protests to open businesses so people could pay bills, feed their families, avoid losing their businesses, and more. We weren't actually protesting to get a haircut."[10]

The social media buzz was also able to garner the attention of politicians, particularly high-profile Texas politicians. Republican senator Ted Cruz tweeted, "7 days in jail for cutting hair?? This is NUTS. And government officials don't get to order citizens to apologize to them for daring to earn a living."[11]

The already intense pressure on Governor Abbott to change his mandate was now heightened. Abbott has since modified his original executive order to say that local officials cannot jail people who violate the state's stay-at-home order. Previously, he had said that jailing offenders was an option for local officials but should be considered the last resort. "Throwing Texans in jail who have had their businesses shut down through no fault of their own

is nonsensical, and I will not allow it to happen," he said as he announced the changes. "That is why I am modifying my executive orders to ensure confinement is not a punishment for violating an order."[12]

Texas attorney general Ken Paxton called Luther's sentence "outrageous and out of touch. . . . The trial judge did not need to lock up Shelley Luther," he said in a statement. "His order is a shameful abuse of judicial discretion, which seems like another political stunt in Dallas."[13]

Lieutenant Governor Dan Patrick even said he would volunteer to be placed under house arrest in Luther's place and pay her fine. After Luther was released, Patrick indeed paid her fine (which was a base of $3,500, along with $500 for every day her salon was open until the executive order was lifted).[14]

A couple of days prior to her sentencing hearing, Luther had, in fact, been approved for an $18,000 loan through the new federal Paycheck Protection Program (PPP). However, her brush with the government had bred further distrust, and she didn't know if because her stylists weren't employees but rented their space in the salon, using the funds on them would qualify her for loan forgiveness. She worried about becoming further indebted because of the loan, a point of concern for many small business owners regarding the convoluted program.

Strangers and friends alike contributed to a GoFundMe fundraiser for Luther's defense that raised more than a half million dollars in just a few weeks. It was so much that Luther decided to set up a nonprofit to help other small business owners.

Luther was far from the only Texan small business owner to rebel. In Laredo, Ana Isabel Castro Garcia and Brenda Stephanie Mata were arrested for allegedly violating the Stay Home Work Safe orders because they provided personal services from their homes. After Luther's case gained attention, the district attorney declined to prosecute them.[15]

In New Jersey, Ian Smith and Frank Trumbetti, the owners of Atilis Gym Bellmawr, went many rounds with their governor, racking up violations. They were also arrested and charged with contempt, obstruction, and violating the Disaster Control Act, vowing in late August to take their case all the way to the Supreme Court. By early December, their small business had racked up more than $1.2 million in fines from the state.[16]

Not every small business owner was jailed or fined, but many grew restless while others closed permanently. Some were able to furlough employees; others laid their employees off so the employees could collect unemployment.

But as the weeks dragged on into months, the United States surpassed 40 million jobless claims, and small businesses across the country, particularly in service-related industries, struggled to survive. Though these small companies and their employees were struggling, the share prices of big companies such as Amazon and Apple were hitting all-time highs and taking the overall market up with them.[17]

It was clear that the government had broken the backbone of America while selling Main Street out to Wall Street.

How did we get to a place where a small business owner was thrown into jail for exercising her right to earn a living and feed her family? Why were the biggest companies increasing in value while the rest of the economy was breaking down?

Though the wheels had long been in motion, everything came to a head with that black swan.

Just a Couple of Weeks . . .

On March 16, just a few days after President Trump declared COVID a national emergency and states started to announce school and other closings, the Trump administration rolled out an initiative called "15 Days to Slow the Spread."[18]

Though there was no official call for a national quarantine and the specifics were left up to the states, the idea was that if citizens came together (figuratively, very much not literally) and practiced social distancing measures, washed their hands frequently, stayed home if they were sick, limited their discretionary travel, and followed other basic practices, the spike in COVID cases could be flattened. The president also outlined measures specific to protecting members of the older population, who were more vulnerable to the new virus.

Though the measure let states decide on the specifics, additional administration guidance included suggesting that governors could consider closing schools if community transmission was taking place, as well as

potentially closing other locations where people might congregate, including eating and drinking establishments, workout facilities, and similar locations of social congregation.

Though it was not thought that those measures would eradicate the virus, the stated and understood goal was to “flatten the curve” in terms of those who became seriously ill so that medical staff could handle the number of cases, in terms of both the medical personnel available to do so and hospital beds to accommodate them.[19]

The president also spoke the R-word—recession—but had an upbeat attitude regarding the country’s ability to take on the new virus.

That upbeat feeling was not reflected in the stock market, which had a historically awful day. A second emergency rate move in two weeks by the Fed the day prior had fueled instead of quelled the market’s fears and saw the Dow plummeting almost 3,000 points for the day; all the major indices were down by 12 to 13 percent for that one day. That kicked off a week of wild volatility in the markets.

Even though it stirred a hornets’ nest and took a while to work, note that the first meaningful planned action was economic action to save not small businesses and vulnerable individuals but rather the stock market.

A big-government approach had failed to contain the virus early on. So now, faced with the remaining paths, the government was moving toward a suppression strategy. As noted in chapter 1, such a strategy typically comes with substantial costs and no end point.

So the United States undertook the “15 Days to Slow the Spread” approach. The president appropriately decided against a national approach, leaving the specifics up to the state governors. It hardly made sense to have a one-size-fits-all approach for a country so large and so varied in population and geography; one measure was not needed for everyone at the same time. Allowing the states more latitude was also consistent with how a smaller, decentralized government approach should work.

However, the guidance that suggested governors could enact measures that stood in opposition to civil liberties, such as closing schools and targeting certain establishments for closure in the cases of community spread (restaurants, bars, gyms, etc.), ended up providing a blueprint and cover for governors to create the next series of big-government mistakes and a veritable power grab with devastating consequences.

If you have only fifteen days of suppression, you don't have eradication. Then what? And at what cost?

The Closures Heard 'Round the Nation

Though it seemed clear to anyone who thought a few steps ahead that fifteen days would not be enough time to kill off a virus, it was plenty of time to kill the Constitution—and severely damage small businesses. The guidance, though it was supposed to give governors some tools for decision making and a little space to breathe, ended up providing the cover for far too many state and local government entities to put force ahead of collaboration, to put control ahead of common sense, and to stoke fear and panic that had costly—and deadly—consequences.

Near the time the initial "fifteen days" rollout at the federal level was coming to an end, thirty states had issued nationwide stay-at-home orders, and several others had issued hybrid orders or would issue orders shortly thereafter.[20]

In doing so, government entities acted like racehorses with blinders, not seeing anything else, only COVID directly ahead. They didn't reasonably consider the impacts of other diseases that would be back-burnered. They didn't materially consider mental health issues. They didn't appropriately consider the social and economic costs of shutting down some parts of the economy and not shutting down others. They didn't fully consider developmental issues in youth. Their assessment was entirely focused on the coronavirus. That is not risk management; that is maniacal behavior.

Whether you believe in doing what is "essential" or in preserving liberties, governments did neither successfully; thus, they found little upside and a lot of downside.

Central planning theory pretends that government knows better and will make better decisions, but in reality, governments can neither replicate the complexities of Adam Smith's "invisible hand" nor consider competing issues well at scale.

The solution to disasters caused by central planning is always more central planning. After years of thwarting small businesses with unfair and costly regulation and bailing out and giving breaks to their bigger competitors, a formal war on Main Street was declared.

The States Versus Small Business

Across the country, what had started out being sold as two weeks to "help society" became a severe maiming, and in some cases a death sentence, for small businesses. From bars to restaurants to personal care providers to small product retailers, local consumer-facing businesses were among the first and the longest targeted by cities and states across the nation.

In Ohio, one of the earliest movers, whereas smaller consumer-facing operations were shut down, many other businesses were exempted. The list of "essential" businesses was broad—from stores that sold groceries and medicine to food, beverage, and licensed marijuana production, as well as "critical" labor union functions and hotels and motels and funeral services, among many others. It was a pretty substantial list for a "lockdown."

This created a significant turning point in deeming who were the haves and who were the have-nots, making it difficult to discern why some entities could remain open and others couldn't, particularly when the latter were not compensated for the order. For example, marijuana sales facilities, which had been made legal in 2016 but had begun sales in the state only in 2019, were now deemed "essential," while other longtime local businesses were not.[21]

Ohio set the precedent of not having a full quarantine but not granting full liberty, either, a decision that, like many others that followed, created a drag both on combating the virus and on the economy.

The Ohio Restaurant Association reported that the closing of indoor dining for the state's estimated 22,000 restaurants was expected to affect some 500,000 workers.[22]

In Illinois, which was early and aggressively overreaching in its policies, residents became restless. As reported by Illinois Policy after a public outcry:

> Pritzker's office on May 20 withdrew his controversial rule that made a Class A misdemeanor out of violating his business closure order. The announcement came as the Illinois General Assembly's Joint Committee on Administrative Rules, or JCAR, was about to review the rule that imposed criminal penalties of up to a $2,500 fine and a year in jail.

Pritzker created the rule after "Madison County declared its businesses could reopen May 13 as long as they maintained social distancing

guidelines. About 80 retailers joined together to file suit against Pritzker and defy his closure order, saying he did not have the authority."[23]

Frustration grew as Illinois was hit during the spring and summer with substantial riots and looting and an overall increase in crime. That was particularly the case in Chicago, where Mayor Lori Lightfoot, who coordinated closely with the governor, treated protesters and rioters with less of a heavy hand than she did people simply gathering together and not wearing masks.

The severe response had substantial economic implications. Illinois Policy estimated that anywhere from 5,000 to almost 22,000 restaurants could permanently close in Illinois due to the economic fallout from the orders. Even the Michelin Star recipient Blackbird closed permanently.[24]

When the state eventually distributed grants via the Illinois Department of Commerce and Economic Opportunity with funds from the CARES Act (more than nine months after the bill's passage), only about 9,000 of the 50,000 businesses that had applied received any of the $290 million. *Crain's Chicago Business* noted that many restaurant owners were unhappy, citing some of the recipients and the low percentage of applicants receiving grants as issues. Ultimately, it was more government choosing of winners and losers. *Crain's* reported that a fine dining establishment, Acadia, had received $150,000 while others had received nothing, and that the owner of that business had reportedly moved out of state.[25]

In Michigan, when Governor Gretchen Whitmer extended her original stay-at-home order through the end of April, it included cordoning off garden centers and plant nurseries in stores that were larger than 50,000 square feet. "If you're not buying food or medicine or other essential items, you should not be going to the store," she said of her order, which was considered one of the most restrictive nationwide, given that it limited not only which stores could remain open but what one could purchase in those stores.[26] It was reported that "Along with prohibiting garden centers and plant nurseries, the order prohibits the sale of carpeting, flooring, furniture, and paint. It also blocks Michiganders from using motorboats and vacation properties."[27]

Whitmer used the "government tries to solve problems with more government" playbook. If you don't close Target because it sells groceries, why not stop it from selling baby clothes to keep people from browsing?

Wouldn't that directive create more parity with the competitive stores forced closed by government that sold only baby clothes? This illustrates the cascade of rules and problems that always brings a Marxist state to its knees. The more government dictates what can't be bought and sold, the more bureaucrats and police are needed to monitor who is in violation of those rules. And if you don't think citizens would eventually start calling the police in Michigan to stop black-market baby clothes or plant sales out of jealousy or "virtue," you don't know your history and you didn't follow the news of citizens ratting out people gathering at restaurants, parties, and even holiday dinners.

Whitmer's directive created even more consistency problems. Though food is clearly essential, the order deemed that getting food for takeout was okay but growing your own food on your property is not. As Nick Sibilla, a legislative analyst at the Institute for Justice, pointed out in *Forbes*, though you couldn't buy gardening products at an open store, you could purchase lottery tickets and liquor everywhere they were for sale.[28]

The attempt at micromanagement was frustrating for many individuals and devastating for many businesses. The executive director of the Michigan Nursery and Landscape Association, Amy Upton, told Brownfield Ag News for America that Whitmer's order was destroying plants and devastating sales: "I talked to one greenhouse grower that sells Easter lilies. They threw out $125,000 worth of Easter lilies. They dumped them. He said they're in a big pile behind the greenhouses." The article noted that in the greenhouse and nursery industry, growers make most of their annual income within a six-week period, with Upton saying, "Mother's Day is another big time of year for us, and then with annuals, and if we are not able to sell those, we will see a lot of greenhouses go out of businesses [sic]."[29]

Despite growing outrage in the state, on April 24, Whitmer extended the stay-at-home order yet again—through May 15—but relaxed some of the previous provisions, such as the aforementioned nursery ban.

An op-ed by Thomas A. Hemphill and Syagnik Banerjee in the *Detroit News* questioned Whitmer's actions and categorization of essential businesses as not consistent with contact and exposure risk.

> First, according to the St. Louis Federal Reserve Bank, 21.6% of jobs nationwide are categorized as high contact-intensive, of which 67% are presently included in critical infrastructure categories, i.e. such as health care, food and groceries and transportation-related

workers, etc. Hence, by labeling the majority of contact-intensive occupation workers as essential, the categorization does not sufficiently protect us from exposure.[30]

They further discussed the marginalization of industries and biases against smaller enterprises, noting, “Why small retail operations that provide similar products are required to be closed while larger, ‘big box’ retailers remain open to the public (operating under specific public health guidelines) and deemed ‘essential’ has yet to be satisfactorily explained.” This is a critical question that I and many others have raised vis-à-vis actions taken across states.

Despite the havoc wreaked on the small business community, the state’s Economic Development Corporation touted stats such as “94 Small Businesses Receive $565,750 in Support in First Round of Michigan Entrepreneur Resilience Fund,” “58 Early-Stage Tech Companies Receive $3 Million in Support from State’s Tech Startup Stabilization Fund,” and “299 Michigan small businesses have been awarded $993,984 in grant funds through the Match-on-Main COVID-19 Response Program.” When a state as large as Michigan (with almost 10 million inhabitants) promotes supporting only hundreds of businesses, it’s hard to take its small business efforts seriously.[31]

Similar actions were taken by local and state governments across the country. Big chain stores stayed open, and there were no major death pools reported related to any of them, anywhere, but their smaller counterparts were out of luck. There was no rotation to spread out the closures among all businesses. Small entrepreneurs saw their customers flock to the biggest companies in the country, making those big companies stronger while they struggled to survive. As noted at the beginning of this chapter, there were instances, including in Texas, of small business owners being thrown into jail.

In North Carolina, which had a generally lighter-touch approach, small business owners questioned the science and pleaded for their livelihoods. After a month of closures, North Carolina Health News reported on a beauty shop owner, Keisha Lindsay, who runs the Beauty Shop in King, North Carolina, who started an online petition for “soft openings” that would allow cosmetologists to service one customer at a time. One petition signer commented, “I can do this safely. My clients need me physically and emotionally. This is my only source of income and what I have been doing for 37 years. I need to get back to my job to help support my family of 6.”

Another said, “people need to survive!! it appears that politicians and media don’t have problems getting groomed nor social distancing. allow soft openings to get society back on track.”[32]

In California, *The Sun* asked readers to grade Governor Newsom’s response to the pandemic. Among several complaints about hypocrisy related to protesting, one in particular came from Suzanne Potter Zmudosky of Moreno Valley, who wrote:

> For the first 30 days, I give Gavin Newsom’s actions high marks. For the ensuing 30-plus days and counting, his plan and actions deserve a failing grade.
>
> His pandemic executive order, “Resilience Roadmap” and pandemic-handling actions lack consistent, timely, objectively-measurable goals, indicators for roadmap progress or clear definitions of essential businesses, groups or permissible activities.
>
> All progress beyond stage one has been sudden, capricious and solely a result of public protests or other group/legal pressure. His actions have failed to report or reflect current science and data differentiating risk among different age groups or health conditions.
>
> He has failed to modify, rescind or replace the original executive order.
>
> Above all, I give him failing marks for the fact that the majority of his actions, programs and orders are not pandemic-focused, but rather have an over-abundant focus on this “opportunity to reshape the way we do business and how we govern . . .”[33]

On the last day of August, California became a focus again. Though hair salons in California were still closed for business, San Francisco resident and Speaker of the House Nancy Pelosi was seen breaking the rules by getting her hair done at a local salon, bringing to light the hypocrisy of many big-government actions—and actors.

California’s residents said it best, not just for that state but for many states across the nation: a prudent early effort had been transformed into a political power exercise. From lack of goal setting to prioritizing—or at least giving the appearance of doing so—to Newsom’s own business, a large part of the efforts reeked of politics.

The States Versus the Elderly

In many ways, New York was the epicenter of everything that went wrong initially and what followed. Despite calls for New York to take action sooner, the state was a bit lackadaisical in terms of decision making, particularly in the emerging hot spot of New York City, with Mayor de

Blasio getting in his last workout at the gym very publicly instead of showing leadership on social distancing amid closure orders.[34]

On March 20, Governor Andrew Cuomo signed the New York State on PAUSE executive order, which shut down all "nonessential" businesses.[35] As noted by Syracuse.com, "Barber shops, nail and hair salons and related personal care services are specified as non-essential, and are directed to close."[36]

That drew the ire of people in many industries. For example, in dog grooming, smaller shops were forced to close while the big box retailer PetSmart remained open. Though the company—not the state—did shut down its grooming services at first, it reopened after just over a week, stating "regular grooming is vital to the health of so many dogs and cats." That didn't sit well with other animal groomers and small businesses that provided grooming services to people, including tens of thousands of nail salons throughout the state.[37]

Anyone over the age of seventy was advised to stay home under a law named Matilda's Law, after the governor's mother, and see only family and close friends in case of emergency, "to protect New York's most vulnerable populations, including individuals age seventy and older, those with compromised immune systems and those with underlying illnesses."[38]

Tragically, a few days later, Cuomo also issued an advisory that David Harsanyi of *National Review* referred to as "perhaps the single most deadly policy mistake in the entire crisis."[39] The policy directed nursing homes to comply with expedited admission of residents coming from hospitals. The advisory said, "No resident shall be denied re-admission or admission to the NH [nursing home] solely based on a confirmed or suspected diagnosis of COVID-19."[40]

That decision is often linked to the initially reported approximately 6,000 nursing home deaths that New York saw in just a few months from the virus's onset, as the order stayed in effect for forty-six days. It also skewed the overall death statistics for the state.[41]

According to the Associated Press, that horrific count was likely substantially, and perhaps intentionally, underreported. It said:

> New York's coronavirus death toll in nursing homes, already among the highest in the nation, could actually be a significant undercount. Unlike every other state with major outbreaks, New York only counts residents who died on nursing home property and not those who were transported to hospitals and died there.

> That statistic could add thousands to the state's official care home death toll. . . . But so far the administration of Democratic Gov. Andrew Cuomo has refused to divulge the number, leading to speculation the state is manipulating the figures to make it appear it is doing better than other states and to make a tragic situation less dire.[42]

Many other experts confirm that the number was likely underreported.[43]

Was it a mistake, or was it the government offloading risk to the private sector? According to a piece by Bill Hammond, a senior fellow for health policy at the Empire Center, in the *Wall Street Journal*, the nursing home fiasco may have been the result of prioritizing crony interests over the health of the most vulnerable residents of New York. Hammond says the Greater New York Hospital Association, which he dubs "the hospital and health-system trade group that is one of the most influential forces in New York politics," pitched the idea to Governor Cuomo, "In the name of easing a crisis for the association's members."[44]

The nursing home issues spilled over to Cuomo's alliance partners of New Jersey and Connecticut. By mid-July, New Jersey had 6,700 nursing home deaths, making it number one in the country for both reported nursing home deaths per thousand (120.3) and deaths per million. Connecticut was number three for nursing home deaths per thousand (98.5) and number four for overall deaths per million.

It is impossible to overstate how bad the tristate area alliance was for the United States' COVID situation. In addition to the staggering numbers of lives lost, it substantially skewed the early data that had created broad versus targeted forced shutdowns in other parts of the country, based on the fact that government officials in other states didn't know the significant nursing home contribution to the deaths from these three states at the time.

Later, Cuomo tried to blame his nursing home blunder on President Trump and the CDC, although no other governor did the same.[45]

However, by early March, scientific journals had already identified age, as well as comorbidities, as COVID mortality risk factors.[46]

Like New York and New Jersey, Michigan struggled with nursing home deaths. Somehow the severe, heavy-handed central planning missed the most vulnerable population, and Governor Whitmer's orders may have caused more deaths. As of August, about a third of all deaths in Michigan had occurred in nursing homes. That prompted the Department of Justice to make an announcement entitled "Department of Justice Requesting Data

from Governors of States That Issued COVID-19 Orders That May Have Resulted in Deaths of Elderly Nursing Home Residents."[47]

The states in question: Michigan, New York, New Jersey, and Pennsylvania.

In a New York Minute . . .

Back in New York, Governor Cuomo announced a reopening plan, to take effect on May 15. He said, "This is not a sustainable situation. Close down everything, close down the economy, lock yourself in the home. You can do it for a short period of time, but you can't do it forever."[48]

It is a phrase that rings of truth, but unfortunately, a short-duration lockdown didn't become a reality for many small businesses. In fact, the nod to unions, including those in construction and manufacturing, in the first phase of Cuomo's reopening plan is notable. In 2019, New York had 1.732 million union members, as well as another 145,000 workers "represented by a union on their main job or covered by an employee association or contract while not union members themselves," which included around 22.7 percent of all employed workers in New York.[49]

As Mayor de Blasio announced Phase Two openings for certain businesses in New York City, it was too late for many of them. In mid-June, amNY reported:

> Some of those stores that will reopen include beauty parlors and barbershops, nail salons and restaurants. Many have been completely closed for more than 100 days and on the South Brooklyn Flatbush Avenue commercial corridor, a mostly minority-owned business district, already have "for rent" signs hanging in the windows or were doing clearance sales because they were closing for good.[50]

The state wouldn't reach Phase Four until mid-July, meaning that some businesses had been affected for four months, or a third of the year.

Despite having an early read and being a hot spot, New York not only messed up its own response but likely also did so for other states whose virus spikes followed. If it hadn't been for its early missteps, its numbers would have been better, and lockdowns across the country might never have happened, might have been shorter in duration, or might have focused on protecting the most vulnerable in the population, such as the elderly.

Additionally, crime in New York City was off the charts, with shootings and murders up substantially through the summer.

To make things worse, New York State "leaders" spent a lot of time acting hypocritically, not abiding by their own rules, and using arbitrary or crony metrics for other rules and choices.

Meanwhile, to add insult to injury, Governor Cuomo revealed that at the same time as he was supposed to be managing a pandemic and had engendered among the worst outcomes and likely impacted the panicked response around the country, he was busy negotiating and writing a book on his pandemic leadership.

State Outcomes

One of the takeaways is that the severity of states' lockdown approaches did not directly correlate to containing the virus. However, the heavy-handedness of the states' approaches did have an economic impact on them, along with factors such as the percentage of the economy that was consumer facing.

Through July, states such as North Carolina and Texas, which had taken a lighter-touch approach, had unemployment levels below the national average of 10.2 percent. Illinois's strict approach delivered a 11.5 percent unemployment rate, California saw a whopping 13.3 percent, and New York's unemployment rate was reported to be 15.9 percent.[51]

The impact on small businesses was outsized. In addition to the aforementioned closures, as of mid-November, it was reported that nearly a third of small businesses in New York and New Jersey had closed during the year.[52]

Nationwide, Opportunity Insights said that through the end of November, just over a quarter of all small businesses that were open in January were now closed.[53]

Clearly, central planning wasn't going to be able to contain a virus, but it would suppress the economy.

From 15 Days to 150 Days and Counting

When the public was initially told that it would take fifteen days to slow the spread and fifteen more days to flatten the curve, there was resistance, but the expectation was that people would pitch in and help make sure that the medical institutions were not overwhelmed. However, as is always the problem with government central planning, once citizens give up their freedom and choice for some "greater good," the politicians get intoxicated by their power, move the goalposts, and further overstep their bounds and individual liberties. Remember that even income taxes were originally meant to be temporary.[54]

It was clear to me at the time of the announcement, as I am sure that it was to many others, that there didn't seem to be a plan for after the first fifteen days, whenever the clock started ticking. It is one thing to say that you need to give the medical community enough time to get a game plan into place, but then what? As in 2019, many states had participated in a several-months-long series of pandemic preparation drills with the Department of Health and Human Services of this very scenario called "Crimson Contagion," they should have known precisely "then what."[55]

This is how central planning has been enabled and how it continues to cement more power in the hands of a few people instead of in the hands of "the people."

Appropriately, the federal government gave some guidance and left decision making to the states. However, many of the states stumbled in the same type of big, bureaucratic overreach that we expect at the federal level.

A stark reality is that even the states that had stringent rules in place at some time or for months on end didn't truly lock down. They kept only some people in lockdown. If your thesis is that you are going to shelter everyone "in place" for a short time to control the virus, you need to do it for everyone, not just some people.

There was a slew of people in all types of roles who were out and about, not just those in genuinely critical occupations. This is not to demean those workers, because everyone's work is vital and important, but is a person who works at a hardware store truly an "essential" worker? And if so, why is he or she more essential than any other small business worker? There should have been a better plan, and if government was going to advocate for a lockdown to reduce cases because of science, there should have been a full lockdown—not my strategic choice per se but at least it would have been showing some conviction.

If the government was going to attempt a partial lockdown, the focus shouldn't have been on who was "essential" but rather on who was at risk. Why were those who were elderly or had other health risk factors not locked down while everyone else went about their business?

Moreover, why was the "greater good" viewed only in terms of COVID? This all reads more like a case of intending to crush small businesses than of following science.

Though the science results didn't correspond with the lockdowns, what did result was a hodgepodge of winners and losers, and the smaller a business was, the more likely it was to be on the losing end. People who had to stay home versus people who were deemed essential. Businesses that were "allowed" to stay open versus businesses that had to close. Main Street versus Wall Street. Entire industries were targeted, even though there were plenty of other businesses open that catered to as many or more people or had similar contact levels. And there was no compensation plan for targeting specific industry sectors and keeping them shuttered.

The actions created a populace divided between those who were scared out of their minds and those who didn't believe anything because of the inherent hypocrisy in the way every aspect of the crisis was handled. The backbone of America was largely disregarded—or rather, highly targeted.

So, bottom line, whether you believe that things should be shut down or people should have freedom and risk management tools, neither of those was achieved.

State and local governments decided that they needed to appear to be taking action. Small businesses ended up as cannon fodder.

If local governments were going to cast small businesses and vulnerable individuals aside and disregard their rights, surely the federal government would step in to help and protect them? It had bailed out many big businesses and industries before that had gotten themselves into trouble. Small businesses hadn't done anything wrong; they had been forced to close by the government, so they should be more worthy of assistance than bailing out automakers or banks, right?

Well, back in Washington, just two days after the president signed the CARES Act, the White House extended its fifteen-day guidance for another thirty days. Fifteen days to flatten the curve ended up in the rearview mirror. And the financial "assistance" in the CARES Act measures, though

taking care of Wall Street and the same big businesses that always get taken care of, was hardly enough to be a small business lifeline.[56]

Chapter 4

Breaking America's Backbone

More Than a Trillion Dollars for Cronies, COVID Crumbs for At-Risk Small Businesses

The government forcing businesses to close—directly or indirectly—was an exceptional, historic, and severe action. As Cato Institute's Scott Lincicome noted, that action was similar to enacting eminent domain. When government enacts eminent domain, it is required to give appropriate compensation to those whose property rights it infringes upon.[1]

In layman's terms, if the government tells people they can't open their business for the "good of society," it needs to compensate them for subjugating their individual rights.

The businesses directed to close were due compensation. That wouldn't have been a bailout. It wasn't some irresponsible action of those businesses that had forced them to close and stay closed; it was the government's decree. Therefore, compensation was warranted for the government's infringement on property rights.

That compensation was needed both quickly and with specificity to ensure that small businesses stayed afloat and jobs were preserved.

Small businesses, as previously noted, make up more than 99 percent of all businesses, employ approximately half the workforce, and account for around half of the entire US GDP. Most small businesses are on the very small side (it is estimated that around 24.2 million of the pre-COVID 30.2 million were solopreneurs). Those that do have employees are typically strapped for cash. Because they are smaller in scope, they are more susceptible to volatility in their business. Plus, with thin operating margins and financial statements, including balance sheets, on a much smaller scale, they do not have the financial wherewithal to endure a closure the way a larger company in the same industry may. They also do not have the same access to investors and lenders that larger businesses do.[2]

As many small businesses are heavily invested in by their owners (many of whom also personally guarantee the loans and other liabilities of the business, meaning that if the business fails, they personally have to come up with the cash to cover those loans and liabilities), the financial implications of the business going belly-up mean personal financial ruin, not just a reorganization in bankruptcy court.

The government should have provided monies directly and quickly to any impacted business specifically to cover ongoing payroll costs and any other operating expenses they required to remain in business for at least a three-month period. With small businesses accounting for about half of the GDP and not every small business affected by shutdowns, around $1 trillion should have covered that need.

Helping companies to stay in business is not only about small businesses and their owner-entrepreneurs; it is also about keeping the workforce afloat. Helping the employees of small businesses retain employment was—and remains—a vastly superior tactic to sending checks directly to individuals.

Such a strategy would have prevented individuals from going on unemployment. When employees remain employed, even though they are sitting at home, they and their employer are still paying into Social Security and paying other taxes. Retaining them preserves the employees' access to health care. It puts them into the mindset that they are still earning and can therefore continue to spend freely (which is vital, as consumer spending makes up around 70 percent of the economy and consumer confidence had been fragile given the shutdowns and overall pandemic backdrop).

Most critically, funding businesses to keep employees on payrolls ensures that those businesses don't close permanently, so that the entrepreneurs will still have a company and livelihood and workers will have a job to go back to when the lockdown restrictions ease.

Why pay an individual to stay home unemployed when you can pay an individual to stay home as a worker and save their job and the small company for which they work?

The short-term costs, particularly those above what would otherwise be rung up in unemployment costs and offset by taxes still being paid, are far outweighed by the long-term benefits.

This tactic would also focus these emergency funds solely on those people who were impacted by the lockdowns. Many individuals' jobs or

businesses were not substantially or negatively impacted. Some of the largest US employers actually increased their staffs. Other small businesses began to operate remotely or were deemed essential, so if the relief was meant as an emergency "eminent domain" type of funding, there was no reason to fund any of these other entities.

The funding should also have covered solopreneurs, gig workers, and other independent workers, looking at their earnings as their "payroll," if their ability to work was compromised, whether directly or via the smaller businesses that use contractors instead of employees.

The structure should also have been retroactive to allow any business to rehire employees they had to let go because of COVID-19 and provide appropriate payroll coverage.

In terms of a mechanism, direct small business payments should not have been done as loans, even forgivable loans. Without revenue coming in for several months, most small businesses don't make enough to service debt and would not be able to pay it back. Plus, applying for a loan requires substantial paperwork and time, and small businesses did not have the luxury of time.

For larger businesses in relevant impacted industries, such as travel and hospitality, that have debt capacity, any funding should have been a loan, if they showed they couldn't access the capital markets, which they should have been able to do. For larger businesses that couldn't service their debt, an equity stake would have been appropriate, and putting parameters on and limits to future uses of capital, such as limiting share buybacks until the taxpayers' money is repaid or a certain number of years has passed, would have been entirely appropriate.

As noted, this was an emergency situation, so the government didn't have time to enact means testing up front. What should have been done was to use the honor system for applying for relief due to the urgent nature of the situation. Parameters could have been clearly set to attest to and means testing could have been done via 2020 tax payments. If a business didn't keep its payroll or contractor usage intact, for example, and used the money elsewhere, or if it made more money than expected in 2020, that could have been adjusted for in its 2020 tax filing. Proof would be easy to provide by submitting payroll reports as backup, and given that so many of the businesses are microbusinesses, firms under a certain threshold of revenue or earnings could have had all paperwork provisions waived so that there

would be no concern that “no good deed would go unpunished,” such as being subject to an audit as a result of accepting due compensation.

Given that the federal government, via the IRS, requires all kinds of business verification information, including tax filings, it could have managed the payment disbursement directly—or used the banks or other intermediaries as helpers if that wasn’t fast enough (as speed isn’t something the government is known for).

As most of the closure mandates were done at the state level and a large portion of the states’ budgets comes from the federal government, theoretically, the states should have been responsible. But given how much power and money the federal government has usurped, perhaps for now such funding was more appropriate federally. Either way, that is not something that needed to be sorted out up front. The federal government could have argued with the states later on about how the bill should be split, perhaps by the federal government shifting some of the funding it typically provides the states over the course of the year.

Ultimately, the priority was to ensure that businesses remained in business and people had jobs to go back to. Everyone was told, “fifteen days,” which alone was a tremendous burden for smaller entities. Taking a three-month view with compensation would have alleviated that burden and also provided an appropriate time frame in which to plan and control the virus spread, as well as devise guidelines for ongoing business operations and best practices, knowing that the virus would not be stopped by then, that there would be no vaccine, and that the economy cannot—with any practicality—be shut down indefinitely to deal with a virus.

The bill to cover this should have been singular in focus (saving jobs and the businesses they are attached to) and highly focused on small businesses and vulnerable industries as the primary objective. COVID financing and other bills should have remained separate, and those most in jeopardy should have been treated as such.

This path would have saved small businesses and the jobs of vulnerable workers. As urgent and straightforward as such action was for the government to take, unfortunately, and also unsurprisingly, that was not what happened.

You Get a Trillion, and *You* Get a Trillion . . .

After giving up control of the first two more minor coronavirus-related economic packages, Senate Majority Leader Mitch McConnell took an early lead to draft the relief bill. He reportedly tried to work it out with his GOP cohorts first and then bring in Minority Leader Chuck Schumer and the Democrats. According to the *Los Angeles Times*, the original bill was for around $1 trillion, focused on direct payments to workers, and had a lot of pork in it.[3]

As the first effort was a no-go among his colleagues, McConnell reportedly pieced together another plan quickly to try to strong-arm a vote on it using the fear of a market crash as a catalyst. That didn't work, and the House decided to introduce its own bill, eating up precious time and eventually putting forth a $2.5 trillion counterproposal.[4]

The time wasted by the Democratic-led House and the urgent backdrop of the relief needs put the Senate into a bind, one to which its members probably acquiesced too quickly. There was some back-and-forth but not enough. For example, most of the senators tried to do away with the expansion of the unemployment benefits "bonus," noting its likely counterproductive economic effects. They were unsuccessful in that and ultimately approved the bill with that provision. The CARES Act was passed 96–0 by the Senate. According to Adam Andrzejewski, the CEO and founder of Open the Books, in *Forbes*, "Twice during the first hour of Senate debate, two 'final' versions [of the CARES Act] were distributed. No one had time to read the final language."[5]

Representative Thomas Massie took to Twitter to criticize the entire process and outcome, saying in a series of tweets:

> The Constitution requires that a quorum of members be present to conduct business in the House. Right now, millions of essential, working-class Americans are still required to go to work during this pandemic such as manufacturing line workers, healthcare professionals, pilots, grocery clerks, cooks/chefs, delivery drivers, auto mechanics, and janitors (to name just a few). Is it too much to ask that the House do its job, just like the Senate did?
>
> I am not delaying the bill like Nancy Pelosi did last week. The bill that was worked on in the Senate late last week was much better before Speaker Pelosi showed up to destroy it and add days and days to the process. This bill should have been voted on much sooner in both the Senate and House and it shouldn't be stuffed full of Nancy Pelosi's pork—including $25 million for the Kennedy Center, grants for the National Endowment for the Humanities and Arts, and millions more other measures that have no direct relation to the Coronavirus Pandemic. That $25 million, for example, should go directly to purchasing test kits. The number one priority of this bill should have been to expand testing availability and creation of tests.
>
> This bill creates even more secrecy around a Federal Reserve that still refuses to be audited. It allows the Federal Reserve to make decisions about who gets what, how much money we'll

print. With no transparency.[6]

Little CARES for the Little Guys

It was hard to disagree with Representative Massie. What was supposed to be an emergency economic relief bill ended up being a hodgepodge of crony helicopter money, other pork, and poorly structured relief, reaching the height of $2.3 trillion. To put that into perspective, the entire federal government spending outlay in 2001 was $1.9 trillion.

Despite that historic amount, very little of the money went to preserving small businesses or compensation for eminent domain–type action.

The bill was late as well. Though the Senate tried to get it passed quickly, the Democrats' posturing added time, heft, and more pork to the bill, which meant that it was not even signed by the president until March 27, 2020, nearly two weeks after many states and localities had shuttered small businesses.

Instead of enacting laser-focused bills, with more transparency and efficacy as I laid out above, Congress's megabill was a random collection of spending mandates. How much of the spending went to small business, and where else did it go? Below is a summary of some of the categories and items of expenditure that were included—good, bad, and ugly.[7]

COVID-Related Spending

Instead of dealing with COVID spending separately from economic relief, that funding was crammed into the megabill, which the Senate Appropriations Committee described as a "$340 billion surge in emergency funding to combat the coronavirus outbreak," with more than 80 percent going to state and local governments and communities. That included $117 billion for hospitals and veterans' health care, $45 billion for the FEMA Disaster Relief Fund, $4.3 billion for the Centers for Disease Control and Prevention, and $11 billion for vaccines, therapeutics, diagnostics, and other medical supplies, among other allocations.

State Funding

Additional funding was allocated to state and local governments to help deal with the virus and withstand the impact of anticipated lower tax collections.[8]

Individual Relief

Those who made less than $75,000 individually in 2018 (or 2019 if you had already filed your taxes) received a so-called stimulus check (formally called "economic impact payments") in the amount of $1,200 per individual and $500 for each child. Additional phaseouts were set for married couples and higher income levels, with a total cost estimated by J.P. Morgan to be $290 billion.

Because the check structure was based on past income levels instead of current needs, money went—in addition to some who needed it—to a slew of others who did not need it. I spoke with one individual off the record who said they felt guilty about the checks that their family members received, as they did not need them (they also did not return them). Another individual, off the record, who didn't need the payment, said, "I always get screwed in these things, so I don't need it, but I'm keeping it."

The processing was so sloppy that a substantial number of payments went to deceased people. With the bill's structure and retroactive timetable, the Government Accountability Office estimated that the Treasury Department had sent around 1.2 million checks totaling approximately $1.6 billion to people who were no longer living. By August, the Treasury said, almost 70 percent of that had been recovered, still leaving a lot of money outstanding and wasting resources and time. In November, the IRS admitted that it had also sent stimulus checks to non-Americans living in foreign countries.[9]

Unemployment

The treatment of unemployment was a mixed bag. One appropriate measure for those who did lose their jobs was that the time frame for payment of unemployment benefits was extended for thirteen weeks. However, that wouldn't have been as important if more weight and focus had been put into the small business portion of the relief and saving jobs from the get-go.

Additionally, there was an extended unemployment benefit payment of an incremental $600 per week. That proved to have disastrous consequences for certain small business owners as they tried to get workers back to work during "open" periods in their local economies; some small business owners claimed that with the extra benefits, workers were making nearly as much, if not more, staying home, which disincentivized them to return to the workforce and put additional stress and pressure on small business owners.

One thoughtful addition was a program put into place to cover independent contractors, gig workers, and other self-employed individuals, who would typically be excluded from qualifying for unemployment benefits.

Government Spending with Extra Bacon

One of the most controversial areas of the bill in terms of unnecessary funding was direct federal spending. Some spending arguably made sense as more people were likely to suffer unemployment and other issues, such as about $25 billion to the USDA Food and Nutrition Service to increase Child Nutrition Programs, SNAP benefits, and more—although it could be argued that if the bill had been structured correctly to preserve jobs, the existing spending on those programs should have covered what was necessary and no additional funding would have been needed.

Some of the questionable spending included everything from $20 million to the National Oceanic and Atmospheric Administration to "support continuity" of things such as the National Weather Service—it is unclear why the existing budget wouldn't have covered that—to $20 million that went to the Department of Defense's Office of Inspector General for additional personnel to audit their emergency funding. The Federal Building Fund was allocated $275 million for "coronavirus prevention and response in GSA-managed federal buildings"—that's a

whole lot of hand sanitizer! Additionally, $80 million went to the Pandemic Response Accountability Committee, $7.5 million to the Smithsonian, and $150 million to the National Endowments for the Arts and Humanities, among many other questionable to highly questionable spending endeavors.[10]

One tranche of funding that drew a lot of ire on social media was $25 million to the Kennedy Center. The first question was, why was the Kennedy Center treated differently from other small businesses or nonprofits that needed relief? Even if you could argue that it needed funds, why would it get a $25 million outright grant and not be subject to the same "hoop-jumping" provisions that small businesses were in the PPP program? Probably because its board of directors reads like a who's who of the wealthy, powerful, and connected.

According to the watchdog agency Open the Books, the Kennedy Center had received $68.3 million in federal grants between 2010 and 2019 and had total assets of $557 million. That is not the financial position of an entity in dire straits and is nowhere near the same situation that the struggling businesses of Main Street were in.[11]

Then, amid that cash grab, the Kennedy Center furloughed musicians and then 250 additional staff—so the justification that jobs had been saved couldn't even be made.[12]

Social media backlash ensued, pressuring some of the same GOP lawmakers who had voted unanimously for the bill to take a stand. Within a couple of weeks' time, the Kennedy Center musicians agreed to a pay cut instead of a furlough. The absurdity shows how the government's central planning enriches cronies, causes waste, and doesn't address actual issues. Millions of dollars that could have been going to save Main Street businesses instead were handed out to entities that did not need the funds for survival.[13]

The Education Stabilization Fund and Related Programs

Another area that caused an uproar only once it was noticed and picked up steam on social media was the $12.5 billion allocated to colleges and

universities. A slightly larger lump sum was given to the Department of Education, which went about divvying it up by institution.[14]

Though about half of each allocation was supposed to be earmarked for emergency financial aid grants to students, the rationale made no sense. First, the colleges and universities had been paid in full for the school year by the students, so there was no need to collect any extra payments from them. Also, given the reduced operating costs due to not having staff on campus, the schools could have refunded a portion of their revenue to the students.

With large swaths of the rest of the country, including small business owners, taking pay cuts and sharing the burden of dealing with shutdowns "for the good of others," there was a backlash that the university executives, administrators, and teachers didn't do the same.

However, the biggest outrage came when it was pointed out that some of the country's wealthiest universities had been allocated millions of dollars by the DOE when they already had multibillion-dollar endowments. The poster child was Harvard University, whose endowment had recently been valued north of $40 billion but which was still allocated close to $9 million from the fund. It had just laid off its dining hall staff as well.[15]

On April 16 and 17, 2020, that news spread via social media such as Twitter like wildfire and even reached the attention of the president, who called it out in a press conference (despite having signed the law and having his DOE make the allocations).

Harvard was hardly the only rich university getting funds. The $12.5 billion included allocations to Columbia and Cornell for $12.8 million each, Yale for about $7 million, and the Louisiana State University system (excluding money allocated to its health and medical centers) for around $25 million. The University of Texas system, second only to Harvard in its endowment size, was allocated $165.8 million (excluding money allocated to its health and medical centers), the University of Arizona $31 million, and Arizona State University $63.5 million, among other allocations.[16]

That was all money that could have gone directly to saving small businesses and jobs, instead of going to nonprofits that already receive funding and tax breaks and in many cases have huge endowments. Plus, those institutions had already been paid for the school year (with, in many cases, loans to students originating from the government).

Notably, none of the funding was earmarked for the hardships endured by the college towns, which would bear a substantial blow as a result of the colleges' closing down their campuses. The closures impacted the towns' populations and in turn their businesses. NBC News reported that the "Financial strain from COVID-19 has been especially acute for college towns like Amherst, where the loss of students has meant the loss of money they poured into local economies. Undergraduate students—about 25,000 at the three schools combined—made up nearly three-quarters of Amherst's total population. That population largely left Amherst when the campuses closed."[18]

Top Endowments of US Universities[17]

School	Estimated Endowment (as of FY 2019; billions of dollars)*
Harvard University	$40.9
Yale University	$30.3
Stanford University	$27.7
Princeton University	$25.6
Massachusetts Institute of Technology	$17.4
University of Pennsylvania	$14.6
Texas A&M University	$12.6
University of Michigan Ann Arbor	$12.3
University of Notre Dame	$11.6
Columbia University	$11.0

On April 21, Harvard, in a series of five tweets, doubled down on keeping the funds, explaining that they hadn't come from PPP but from the CARES Act in general (which was misreported by some media representatives who didn't understand the nuance). However, the larger point of outrage was that the relief bill was supposed to help the vulnerable in the economy. Money that could have gone to PPP or otherwise directly to small businesses had instead gone to institutions such as Harvard, which didn't have to do anything to receive the funds and, more important, did not need them for their survival.[19]

As Twitter user Helen Levinson (@HelenLevinson) pointed out, "They certainly don't need aid. Harvard had a surplus of $298 million in fiscal year 2019, up from $196 million in 2018. There are small businesses that only have a 2–3 week cushion of cash and have received ZERO funds."[20]

On April 22, among the buildup of negative press, Stanford University announced preemptively, in a series of tweets, that it had "contacted the Department of Education to ask that our application for relief funds under the Higher Education Emergency Relief Fund section of the CARES act be rescinded." Princeton University quickly followed suit.[21]

Under increased scrutiny, later that day, April 22, Harvard released a statement and a series of tweets that it would not be taking CARES Act money, primarily blaming the pressure it had received on politics.[22]

Though the users of Twitter had become the watchdogs and can take credit for bringing to light issues that the mainstream media didn't even report on, getting big universities not to accept emergency funds was a moral victory. But with that money likely reallocated to some other endeavor and $2.3 trillion spent overall, it was also a hollow victory.

Though Harvard and other institutions were appropriately shamed, the bigger shame lies with Congress, which does not receive nearly enough scorn or accountability. The CARES Act was meant as emergency relief money. Any entity, university or otherwise, that had not been put into an emergency survival situation by the government shutting it down should not have received money to begin with, and that was where the bigger problem lay.

It is also a travesty that journalists and the media, one of whose jobs is to hold the government accountable, spend too much time doing just about everything other than that. If it weren't for Twitter users bringing all this to light weeks after the CARES Act passed, who knows if it would have ever been reported on. Moreover, the journalists who had missed it to begin with still messed up the reporting by attributing the allocations to PPP instead of the CARES Act in general—a sorry state of affairs all around.

Big Business Relief

Despite small businesses being the most vulnerable, there is no doubt that government actions and the media-fueled hysteria around the virus led to

specific industries and companies being disproportionately affected, including those in hospitality, travel, entertainment, and leisure. Therefore, there could be an argument for some assistance to help keep those businesses intact.

The CARES Act was heavily slanted toward big business relief. Tax breaks, in the form of adjustments to the way items such as net operating losses and interest deductions are treated, are estimated to be valued at around $280 billion by both J.P. Morgan and the Tax Policy Center.[23]

One of the biggest issues came around a $450 billion–ish "slush fund" that sent money to the US Treasury's Exchange Stabilization Fund. That was done through loans, guarantees, and other types of investments to back the Federal Reserve to prop up distressed companies (read: distressed big businesses). With leverage, it was expected to enable the Fed to spend north of $4 trillion to subsidize lending to big companies. That raised many eyebrows. Given the Fed's ability to "print" money, why would it need taxpayer funds at all? It's partly because of the structure designed to preserve secrecy and opacity around its transactions and investments.[24]

The bailouts for big businesses, including many questionable recipients, also drew attention. One such situation was a $700 million "relief loan" given to a struggling trucking company, YRC, that, according to KSHB in Kansas, the Defense Department had sued just two years prior, in 2018, "for overcharging the government for freight carrier services and making false statements."[25]

Another questionable expense was the bailout of the airline industry. There is no doubt that the stay-at-home orders created extra pressure on travel, including the airlines. However, the airlines were no strangers to mismanagement and bankruptcies. And, according to Fast Company, the industry has spent more than $350 million on lobbying since airlines were bailed out after 9/11.[26]

The airlines, according to Bloomberg, had spent 96 percent of their free cash flow over the last decade to buy back their own shares instead of creating a cushion for a crisis, something that, given the frequency of airline bankruptcies, they should know they need.[27]

The bailout of $60 billion, including to cargo transporters and contractors, could be argued as due compensation for the shutdowns if part of a larger program. However, in its current form, it looks more like the

government propping up a few undeserving companies. As the airlines had valuable assets, as well as access to capital markets and bankruptcy courts, the real beneficiaries were their shareholders. This transfer of wealth to big businesses and their shareholders with big lobbying budgets is made even less palatable by the way the airlines frequently treat their customers.[28]

Though relief focused on the airlines, local economies were largely ignored. Take the local impact of business travel. Per the *Wall Street Journal*, "Domestic and international business travelers in the U.S. directly spent $334.2 billion in 2019, supporting 2.5 million jobs, according to the U.S. Travel Association." The *Journal* estimated that the total economic output and jobs supported by business travel before the pandemic had been about twice that.[29] So the airlines were taken care of directly and substantially, while local economies had to fight it out for scraps passed down from other programs.

A Small Lifeline: The Paycheck Protection Program (PPP)

With all of those giveaways, you might expect that small businesses would have also been taken care of by the government.

The amount of money required to ensure that small businesses stayed open, appropriately compensate them under an "eminent domain" scenario, and preserve jobs was probably in the $1 trillion range. Instead, what small businesses received as part of the CARES Act amounted to less than 20 percent of the overall relief package—again, a figure that makes little sense given that small businesses account for around half the economy and are the most vulnerable and most directly affected by the government black swan.

Instead of getting money to small business owners quickly and directly, which would have been the most effective tactic and consistent with the direct payments received by the likes of Congress members' cronies such as the Kennedy Center and universities, Congress cobbled together a shoddy, confusing "forgivable" loan program in the PPP.

The initial allocation and structure, which have been modified in part and generally improved since the plan's conception, forced small business owners to go through a series of hoops at commercial banks and other

lending institutions to apply and compete for funds that initially covered eight weeks of payroll, rent, and utilities and would be forgiven if they kept employees on the payroll with at least 75 percent of the loan used for payroll expenses.[30]

Confusion and fear about whether taking the funds would lead to increased chances of tax audits and worries about the opacity of the forgiveness process and whether the loans would be forgiven at all led many small business owners to decide that the risk of applying wasn't worth it.

The structure of the program was also a massive problem. With few limits on the size (up to five hundred employees per applicant) and qualities that the businesses applying could possess and still receive the loans, many large entities that didn't need the funding for survival applied to their banks for the limited funds. As any other business would, the banks wanted to make sure that their best customers were taken care of first. Who do you think are the banks' best small business customers? Larger "small businesses"—not microbusinesses, which don't have the same access to capital.

Additionally, in terms of loan amounts, the program allowed for loans up to $10 million. If those loans were meant to protect payroll initially for two months or eight weeks, what kind of small business has a $5 million-per-month operating budget? Not a small, vulnerable one with limited access to financing, that's for sure.

The flawed structure of the PPP program left many of the smallest businesses out in the cold at first.

Ryan Hoover, a small business owner of a self-defense and fitness business in North Carolina, recounted his initial PPP experience to me. He was at first denied a PPP loan. His commercial banker sent him a note saying, "We had people applying for the PPP loans that were basically unaffected by the virus, and had no specific needs, but it was 'free money, so why not?'" Hoover said that although his business was in the system for the program, he never got to the submission stage, and his banker couldn't guarantee that he would get in for the second round. The banker told Hoover that the bank had received around 66,000 applications during the first weekend and that its employees had been told internally not to work on applications under the $100,000 threshold (i.e., the big customers were to be cared for first).[31]

According to the *Wall Street Journal*, when the program started in April, 92 percent of the 4,840 loans in amounts of $5 million to $10 million were approved, compared with 59 percent for all loans applied for in April.[32]

Additionally, many of the smaller small businesses didn't have any established banking relationships, which left them unclear about or unable to figure out who to turn to for help; online lenders helped some, but not all small business owners were familiar with those companies. Also, it was reported that newer startups struggled to produce the requisite paperwork.

Also, the PPP's eligibility structure made it difficult to impossible for some of the smallest businesses, including one-person businesses, to apply for relief, putting those small businesses, which often rely on their owner-operators' working with consultants, contractors, and other vendors, in jeopardy of survival.

The initial allocation of PPP funds was exhausted within thirteen days, reaching only about 1.6 million small businesses.[33]

It is not surprising that it went so quickly, with bigger businesses applying for and being prioritized for loans. *Forbes* estimated that seventy-one publicly traded companies took down loans in the first $350 billion tranche of the program.[34]

The blame rests mostly on the structure of the program, which had high maximum loan sizes and did not put in safeguards to ensure that businesses that were larger, that were not in danger of going out of business, and/or that had access to other capital did not get the loans. The program was structured more like a Las Vegas buffet, where VIP high rollers could skip to the front of the line.

The revelation, or at least publicity, of the abuse of the program forced Treasury Secretary Mnuchin to make a statement to help shame some companies into paying the loans back or otherwise forgo the funding. "It is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request, the basis for its certification," he said.[35]

With the Treasury secretary's statement and a fair amount of social media shame—which led to mainstream media shame—some recipients, including Shake Shack and Ruth's Hospitality Group, which operates the Ruth's Chris Steak House chain, decided to pay the loans back.[36]

Some recipients were even more shocking. *Forbes* reported that Hallador Energy, a coal producer whose 2019 financial statements showed $426 million of assets and $230 million of liabilities, secured a $10 million forgivable PPP loan. Companies that had foreign parent businesses also received loans. Singapore-based Wave Life Sciences and Canada-based CRH Medical both were among the seventy-one publicly traded entities that received multimillion-dollar loans.[37]

(*Forbes* also disclosed that its parent, Forbes Media LLC, had received a PPP loan of $5 million to $10 million.)[38]

Too Little, Too Late, Too Confusing

With the speed at which the program was exhausted and the PPP failing to reach enough small businesses, Congress allocated more funding. About a week before the end of April, another $310 billion was approved as part of a $484 billion interim stimulus funding bill.[39]

As an acknowledgment of failures in the structure of the original plan, reportedly $60 billion of the money was reserved for smaller businesses without existing banking relationships. However, that was very late in the game.[40]

Unfortunately, not all the small businesses that needed the money decided to take what was available during the second tranche. For some, it was just too late, and they decided to close up shop altogether. Moreover, the frequent rule changes and general distrust of government led some small business owners to decide that they didn't want to risk that the loan would not be forgiven.

According to the Associated Press, between March 31 and June 15, the SBA had "issued 35 changes to program rules and its frequently asked questions, according to a Government Accountability Office report issued last week." The loans' forgiveness was the biggest concern of small businesses and microbusinesses that didn't have the financial wherewithal to make up or withstand the lost revenue from the shutdowns and pay back the loan.

The first time the SBA and the Treasury Department released guidance on forgiveness was not until almost three-quarters of the way through May,

and there was still a great deal of confusion among small business applicants, would-be applicants, and recipients.[41]

Additionally, the time frame for using the funding for payroll was a big hurdle for small businesses. It wasn't until the beginning of June, less than a month before the initial application deadline, that Congress extended the use period to twenty-four weeks. However, the initial structure, coupled with the too-late changes, kept many small businesses from applying altogether. It also forced small businesses to use up funds quickly that they otherwise would have been able to stretch out, for fear of not being in compliance with the forgiveness rules.

Too Small to Matter

It bears repeating: the companies that needed the money the most encountered the most obstacles to receiving the money. It isn't a surprise, but certainly a detriment and disappointment, that a government so big, so beholden to cronies, so opaque, and with so little accountability wouldn't do the right thing to save the economy. Crony entities got money directly, big colleges with billion-dollar endowments got money directly, Wall Street was supported, and small businesses got paperwork, headaches, and rules changes. This is how the government "helps" the little guy; this is democratic socialism in practice.

The Associated Press quoted some small business experts on the issues. Karen Kerrigan, CEO of the advocacy group the Small Business & Entrepreneurship Council, said, "We knew it was a problem a week after the legislation was signed, when we looked at the shutdown orders." Todd McCracken, the CEO of the advocacy group National Small Business Association, said, "It was too late for many companies" and agreed that the PPP had been "poorly designed from the start."[42]

It was estimated that banks would earn anywhere between $14 billion and $24 billion in fees for their role in processing the loans. The *Wall Street Journal* reported that several of the largest banks, including JPMorgan Chase and Bank of America, had stated their intention to donate any profits they made from PPP processing. However, it is unclear how program "profits" might be calculated after infrastructure costs and other allocated expenses.[43]

PPP’s Mixed Results

In early July 2020, it was disclosed by the Small Business Administration (SBA) and the US Treasury that the government had allocated approximately $521 billion under the PPP, leaving more than $138 billion on the table unclaimed. After a pressure campaign for transparency about who had received the loans, the names of the approximately 600,000 entities that had received at least $150,000 in loans under the program were also released.[44]

Overall, it was estimated that approximately 4.9 million small businesses and nonprofits had taken advantage of the program during the two “rounds” or tranches of funds. However, the biggest firms, those receiving more than $150,000 in forgivable loans up to the program maximum of $10 million, were also the biggest funding recipients. The largest 13.5 percent of program applicants accounted for approximately 75 percent of the dollars given out.[45]

In the July release, Treasury Secretary Mnuchin said, “The PPP is providing much-needed relief to millions of American small businesses, supporting more than 51 million jobs and over 80 percent of all small business employees, who are the drivers of economic growth in our country.”[46] Those numbers may be a bit misleading. Perhaps the 4.9 million (which was also inclusive of nonprofits) is looked at as 80 percent of all employer businesses, but that would exclude the majority of solopreneur businesses. Looking at this across all small businesses, with approximately 6 million having employees and 24.2 million solo businesses (where the owner is the employee) at the time, the funds reached around 16 percent of the total number of small businesses. There’s also no official way to know whether or not that was representative of the number of small businesses that needed aid, but based on what we know anecdotally, we can assume it was not.

John Arensmeyer, the chief executive officer of Small Business Majority, said, “Across the board, there are gaping holes and inconsistencies in the information.” How much the businesses received was also at issue, particularly as larger businesses took down bigger loans. Arensmeyer said that many small business owners had received less than they had requested. “Nationally, a total of more than 21,800 small

businesses, many with multiple employees, received a loan for under $1,000. To raise eyebrows even more, more than 1,200 of those businesses received less than $100—with some receiving loans as low as $1.00!"[47]

More Money, More Problems

Further disclosure by the SBA in early July 2020 revealed some of the well-known, wealthy, and frankly mind-boggling entities that had received forgivable PPP loans.

Not surprisingly, more than 33,600 full-service restaurants had, by that time, received federal loans of $150,000 or more, according to Yahoo! Finance analysis of the SBA data. Yahoo! Finance also found that around 21,000 medical practices and 14,310 law firms received large loans, with almost 300 combined receiving loans ranging from $5 million to $10 million.[48]

According to the SBA data, more than one-third of the funds under the PPP program were for loans of seven figures or greater. Again, I mention that this is undoubtedly not the several-month operating budget of the smallest, most vulnerable firms.[49]

On the sports-related front, Floyd Mayweather, who had reportedly earned close to $1 billion over the last decade, had applied for and received a forgivable PPP loan for his boxing promotion company, Mayweather Promotions, as had NFL football icon Tom Brady's TB12 company.[50]

A dozen Major League Soccer franchises applied for the small business relief; some didn't accept it, some did. NASCAR and IndyCar teams also applied.[51]

According to the SBA, Yeezy, LLC, owned by Kanye West, received more than $2 million in PPP forgivable loans. During the same period, *Forbes* crowned West a billionaire with an estimated net worth of $1.3 billion, and West announced a major ten-year deal with the Gap. It doesn't sound as though his business would have gone under or didn't have the financial wherewithal to secure funding without emergency "small business relief."[52]

Elsewhere in Hollywood, forgivable PPP loans were made to a variety of entities. Judd Apatow's Apatow Productions, the International Academy

of Television Arts & Sciences, American Film Institute, SAG-AFTRA Foundation, Motion Picture & Television Fund, Tribeca Film Institute, and GRAMMY Museum Foundation were just some of the entities receiving PPP relief.[53]

A slew of media companies received funds: The Daily Caller received between $150,000 and $350,000, while Media Matters for America, which showed $5.3 million in assets on its most recent IRS 990 (FY 2018), according to Open the Books, received between $1 million and $2 million in PPP lending.[54]

According to the Associated Press and Business Insider, Catholic Church entities, nonprofits that do not pay taxes, were among the top recipients of aid, for an estimated combined total of between $1.4 billion and $3.5 billion.[55]

More than a half dozen loans even went to companies owned, at least in part, by members of Congress and/or their spouses. The family of Transportation Secretary Elaine Chao (who is the wife of Senate Majority Leader Mitch McConnell) also received a six-figure loan.[56]

Family members of the president's son-in-law and White House advisor, Jared Kushner, including a media publication owned by Kushner's brother-in-law, were connected to companies that collectively received millions of dollars in funds.[57]

You can argue about any of these forgivable loan recipients individually and whether there was a legitimate need for them to get relief funds. However, going back to the original objectives of preserving jobs, overall, were these funds necessary and at what future cost, as we will all have to pay for them in time? Did the recipients have no ability to take a pay cut and share the pain the way so many other small business owners and contractors had to? Did the larger entities have no other access to capital, such as selling equity or taking out a loan? Did the big companies using up program funding early prevent legitimate struggling small businesses from being able to pay all their employees or even stay open?

Even the relief supposedly designated for small businesses was a wealth transfer to those who were well connected.

Money, Yes; Guidance, No

Though governors were busy picking winners and losers in terms of "essential" businesses and workers and Congress delivered helicopter money to big companies, another big miss from big government related to guidance.

There was so much focus on which businesses could and couldn't operate, parameters related to operations (such as New York's insistence that a business needed to serve more than chicken wings to be in compliance as an eating rather than drinking establishment), and lengthy shutdowns, and far too little focus on guidance and assistance on how a business could operate and create a safe working and customer environment. Of course, once the months of the government no-mask campaign was switched to a must-mask campaign, mask wearing was encouraged for businesses, and many complied and even made it mandatory. Other businesses adopted hand washing and marking off of floor areas to align with distancing guidelines, such as when customers were waiting for a checkout register. Some stores didn't allow more than a certain number of people to shop at one time or implemented shopping appointments. However, those actions were taken largely upon the initiative of businesses and in an entrepreneurial spirit, not due to excellent government guidelines or products to help make the transition easier, quicker, or less costly.

Despite the efforts of small businesses to operate safely—that is, if and when they could reopen and if they hadn't closed up shop for good—later government mandates and rules did not take into account track records or mitigation efforts to decide which businesses could open (and remain open).

It was almost as if the governors or mayors were rooting for businesses and the economy not to be open. How could that be? Did they expect federal funds for state bailouts and hope the economic woes would make their case?

At the federal level, small businesses remained too small to matter. Even though they represent half the economy, they are highly fragmented. The decentralized nature of small businesses stands in opposition to the mission of politicians, who seek to centralize power.

The government's actions at all levels are a playbook for precisely what you would do if you wanted to give the appearance of helping but actually wanted to crush small businesses. The government mandated the closures of

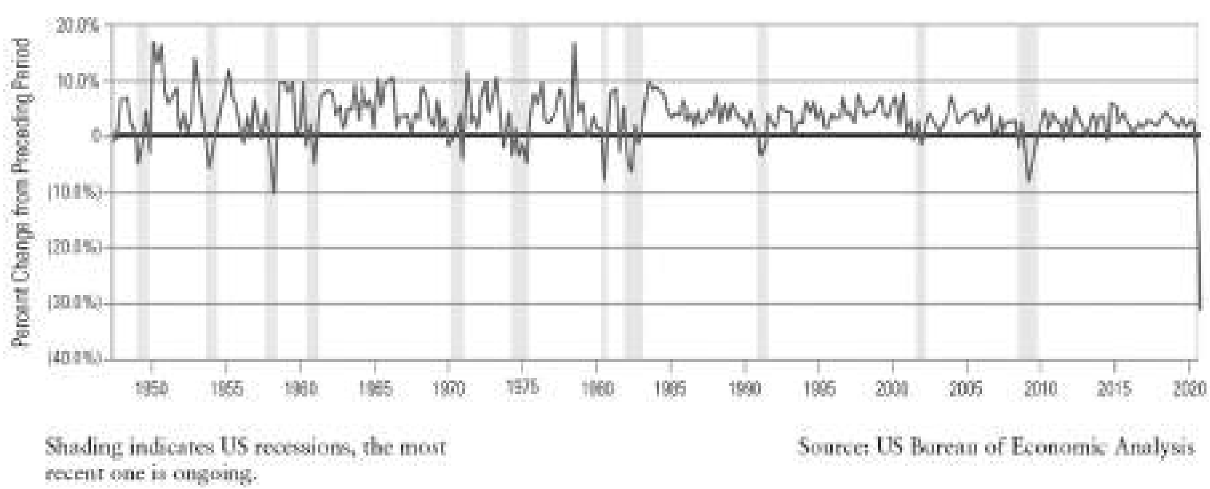
some small businesses, and for those that remained open, it made the case that their survival would be based on government help.

The state governors made the official war declarations, and the federal government remained their allies.

Outcomes Halfway Through the Year

As the fifteen days to flatten the curve direction came about two weeks before the end of the first quarter, the shutdown's real effects were not seen until the second-quarter economic data came out. The first print of the GDP numbers, which came out at the end of July, showed a record contraction of 32.9 percent, which is a quarter-over-quarter annualized number (just slightly better than the 34.7 percent consensus drop expected), the first double-digit decline since 1958.[58]

Real Gross Domestic Product, Percentage Change from Preceding Period, Quarterly Seasonally Adjusted Annual Rate, April 1947–April 2020



Source: US Bureau of Economic Analysis, Real Gross Domestic Product [A191RL1Q225SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A191RL1Q225SBEA.

To compare this with the Great Recession, that financial crisis saw an 8.4 percent GDP decline at its trough in the fourth quarter of 2008—

nowhere in the same ballpark as what happened due to the government black swan.

The US economy shrank in actual terms by 9.5 percent from April through June 2020, the largest quarterly decline on record.[59]

Personal consumption was down by 34.6 percent. A large part of that drop was the decrease in the consumption of services, which makes sense as service providers were among the first and most frequently targeted for closure.[60]

It was not a systemic recession. It wasn't a bug in the economy that was driving the United States to a bad economic outcome. It wasn't businesses or the market pulling back investment. It had been created and was owned by the government, which had forced businesses to close and their patrons to stay home, and prolonged by further bad decision making and a media that had created and supported additional fear. That, alongside the data, was also unprecedented.

Also, because of the government-forced recession, the stimulus did not have the same effect as it might otherwise have had in a systemic recession. As pointed out to me by the author and investor James Rickards, Americans plowed money into savings at historic rates.[61] For example, in April, after the stimulus package announcement, the Bureau of Economic Analysis said, personal savings hit a historic rate of 33 percent. For context, that rate was mostly under 5 percent in the early aughts and mostly between 5 and 10 percent during the last decade. By July, the personal saving rate was still above 18 percent.[62]

However, the same day the second-quarter GDP numbers came out, four mega technology firms, whose combined market equity value at the time was north of $5 trillion, reported their earnings for the preceding quarter.

And although the economy had contracted at historic levels and personal consumption had shrunk by almost 35 percent, Amazon, Apple, and Facebook all posted incredible quarterly financial results. Though Wall Street had been expecting Amazon to generate about $81 billion in revenue and less than a dollar and a half per share in earnings, believing that it would be the beneficiary of Main Street closures and people in lockdown, the company blew that expectation away, posting $88.9 billion in revenue and $10.30 a share in earnings. So although consumption was down, what remained was shifted in large part to Amazon.

It should be noted that Amazon does enable more than 1 million small business sellers via its website. So those who could shift their business online had in some cases benefited. But the service providers, restaurants, and others that couldn't do so lost out.[63]

Apple, Facebook, and Alphabet (the parent company of Google) also posted revenue and earnings beats (with Alphabet being the weakest due to softness in its advertising business), generally posting monster results during the worst economic quarter of all time on record.

The big, publicly traded entities that were recording strong financial performances also benefited from the Federal Reserve spending trillions of dollars to support the stock market. Who was supporting small businesses like that? Nobody in or affiliated with government, that is for certain.

Against that backdrop, the big takeaway from the GDP print should have been recognizing the critical importance of small businesses in the economy and finding ways to ensure that the playing field was level for them.

Unfortunately, that would not be the big takeaway for those with the power to fix such things.

It was clear that small businesses were not the "chosen ones."

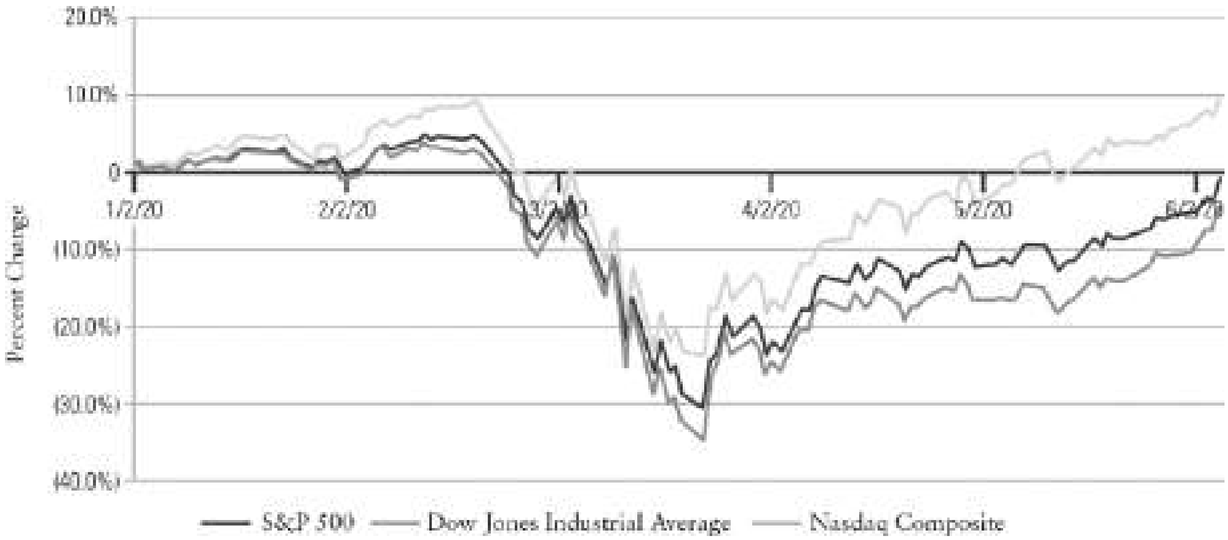
Chapter 5

Selling Out Main Street to Wall Street

The Federal Reserve's Decades-Long Role in Helping Government Transfer More Wealth to the Wealthiest

On June 5, 2020, the stock market was on fire. The Nasdaq Composite gained almost 200 points (around 2 percent) to close at 9,814.08 after reaching an intraday record. This turnaround happened after the Nasdaq Composite had lost about a quarter of its value—moving down to 6860.67—just a few months earlier. The Dow soared more than 800 points that day (more than 3 percent), and the S&P 500 gained around 2.6 percent in value, recovering around 43 percent of its losses from earlier in the year.[1]

2020 Stock Market Performance (YTD % Change) Through June 5, 2020



Data via Macrotrends, https://www.macrotrends.net.

One would think that would be a fantastic indicator regarding the economy's health, but the reality is that the economy remained in historically bad shape, with almost 21 million people out of work. Though the unemployment rate reported that day for the previous month (May) of a whopping 13.3 percent was better than the previous month's (April's) 14.7 percent, it was still firmly in double digits.[2]

On Main Street, many businesses were still mandated closed—entirely or in part—by state or local governments, while others weren't ready to reopen their doors. Other businesses had to make a difficult decision to close permanently after suffering months without customers. Some individuals decided not to return to work, whether it was for safety concerns, because they were making more money with Congress's stimulus unemployment bonus than they would at work, or both.

So it seems as though investors in the stock market, while perhaps being generous and believing in a recovery that would happen more quickly than some projections and models expected, still shouldn't be lifting the market to near-record or record levels.

How could there be such a disconnect between Wall Street and Main Street? A big part of that has to do with the complex actions taken by the Fed.

What Is the Fed?

The Federal Reserve System, also known as the Federal Reserve or colloquially as "the Fed," is the United States' central bank. The overarching purpose of the Fed, one could say, is to help guide the country's economic and financial stability. More accurately, in recent years, it has become a tool to prop up Wall Street and to enable capricious government spending.

Three key entities make up the Federal Reserve System: the Board of Governors, twelve Federal Reserve Banks that represent twelve districts, and the Federal Open Market Committee (FOMC). The Board of Governors, which is an agency of the federal government that reports to and —in its words but not in reality—is directly accountable to the United States Congress, oversees the twelve Federal Reserve Banks and provides input and guidance for the entire system.

Though the Fed derives its power and mandates from Congress, it is not truly accountable to anyone. That is intentional and by design. In fact, it may be the only entity in America not owned by or accountable to anybody else. Its independent status and guise of decentralization mean that it operates without the checks and balances essential to the rest of the government system. It is not audited. Though it releases "recaps" of its meetings, it doesn't release the full content of its discussions. It doesn't tell congressional representatives or committees about its behind-the-scenes undertakings, and it has little in the way of oversight.

The Fed's website tells you as much. It states, "Though the Congress sets the goals for monetary policy, decisions of the Board—and the Fed's monetary policy-setting body, the Federal Open Market Committee—about how to reach those goals do not require approval by the President or anyone else in the executive or legislative branches of government."[3] The Fed's secrecy and actions have been the cause of much ire and frustration on the part of many in the economic and financial communities.

It's said that the Fed primarily has a "dual mandate" from Congress, which has been reiterated by many Fed chairs, from Jerome Powell to Janet Yellen, when they hold press conferences and review the FOMC minutes. This dual mandate, established by the US Congress, is (1) maximum employment and (2) stable prices (that is, managing inflation).

The Fed conducts monetary policy (management and policy having to do with the supply of money, credit, and interest rates) meant to achieve specific economic objectives. This seems like an odd responsibility for an agency owned by and accountable to nobody. Monetary policy is differentiated from fiscal policy, which is typically done through legislation and is concerned with policies like taxes and spending, also to achieve economic (and often social) objectives.

The Federal Reserve System is not financed by congressional appropriations. It is financed primarily by receiving interest income on government securities that it purchases in the market. When the Fed has a surplus of money left over from its investment activities, it gives such surpluses back to the US Treasury.

The interest rate you often hear about on financial news is the Fed funds rate. It is a target rate that was historically meant to act as a guide for banks to lend to each other overnight to fulfill their reserve requirements, which has somewhat shifted in recent times.

Though the Fed funds target rate isn't a hard mandate per se, it has other broad-reaching financial implications, which is why you hear so much about it. It acts as a benchmark for other short-term rates, influencing how much banks charge for other products they offer, such as loans and credit cards. Lowering the Fed funds rate is associated with expansionary monetary policy, as it is supposed to spur more demand for credit by making it "inexpensive" to borrow, thus stimulating economic activity. (In layman's terms, the lower the interest rate, the more an individual or business can borrow while keeping the cost of each debt payment—and their overall cost of debt—lower.)

It also can affect the stock market in ways that are discussed in greater detail below.

The Fed also uses open market operations, or more simply, the buying and selling of government securities from banks and other investors in the market, to make adjustments to the supply of money and influence economic activity. As the Fed buys more securities and replaces them with "credit" in the selling banks' accounts, there is more "money" or credit available for lending and interest rates are also pushed downward (this is aligned with expansionary policy; contractionary policy would have the Fed selling securities and have the opposite effect).[4]

Moving Away from Its Purpose

This interest rate and money supply stuff may sound mundane and wonky, but it has incredible implications for what the Fed has become. Like many government institutions, the Fed has strayed far from its original purpose and mandates to interfere, as a quasi agency of the government, in the free markets.

Initially, the twelve Federal Reserve Banks were intended to be decentralized and operate independently. Like other functions that have been centralized, a centralized bank with national influence was something against which many critics warned. But over the two decades that followed the Fed's creation, centralized government creep took over and more national policy making occurred.

In actuality, much of the design was intentional and the outcomes unavoidable.

Dr. Murray Rothbard, in his book *The Case Against the Fed*, shared the story about the Fed's creation after several failed attempts at US central bank and national bank structures. He recounts that in the 1890s, the top Wall Street bankers wanted more control over banking.

The National Banking System structure at the time (also devised by those same financiers!) didn't have a mechanism for bailouts if the bankers got themselves into trouble. The bankers also wanted the money supply to be able to be increased more quickly, and they wanted to find a fix for their loss of dominance due to more competition in the market.[5]

So the financiers created a cartel and devised a long-term strategy to "revive" a central bank that would put them into control. They waged a propaganda campaign to convince the public that a central bank would "save" the public from big business interests. As we have seen repeatedly happen in modern times, including many times a day on social media, that simple propaganda trick worked.[6]

Though central banking was sold as an "impartial" restraint against the banks' tendency to inflate, the reality is that it was meant as a mechanism to allow banks to inflate and expand lending, and do so "without incurring the penalties of market competition." In layman's terms, the bankers wanted to be able to expand the money supply at their whim without being beholden to market forces.[7]

The one area of disagreement among the financiers structuring what became the Federal Reserve Act of 1913 was that some wanted a true central bank, whereas others felt they could sell the idea and gain more power if the central bank were to be "cloaked in the palatable camouflage of 'decentralization.'" Ultimately, that deceptive tactic won out.[8]

Today, although the Fed is technically "owned" by its member banks—part of the "decentralization" cloak—the banks do not receive any Fed profits; those go back to the Treasury. What matters is who controls it. What the banks receive is the benefit of covertly influencing decision making with no checks or balances or even proper accountability. Rothbard said, "In form as well as in content, the Federal Reserve System is precisely the cozy government-big bank partnership, the government-enforced banking cartel, that big bankers had long envisioned."[9]

To recap all of this, the Fed derives its authority from Congress, works with the Treasury, isn't owned by the government, but gives its "profits" back to the US government. It is central planning disguised as independence.

That all sounds very far from capitalism.

The Fed's Balance Sheet

Emblematic of the subject of straying from capitalism is the Fed "printing money."

When you hear that the Fed "prints money," it does so more figuratively than literally. Though the Fed directs the amount of currency to print and distributes it, the actual printing function happens via the US Treasury in the case of bills and the US Mint for coins. The Fed oversees the demand for currency in circulation on a worldwide basis, not just here in the United States. In fact, the Federal Reserve Bank of New York estimates that the majority of actual cash (bills and coins) in circulation is held outside the United States, with increasing interest in holding US dollars from abroad in recent years, ostensibly because the currency is deemed "safe" and "stable"; more on that below.[10]

The larger point of contention is the money printed "out of thin air" or "on paper." The Fed "creates" money to expand the amount of credit in the banking system and ultimately the economy. So when it buys securities, for

example, it expands its balance sheet, but it does so with accounting trickery, by crediting the reserve account of the member banks it purchases from through an accounting or book entry. This creation of money and credit out of nowhere is obviously quite different in impact from value and wealth in the economy being created via innovation, sales, work, investing, or other activities.[11]

Also, as US currency is no longer backed by anything but the "faith of the US government," there is a lot of latitude for moral hazard (taking more risk because that entity does not bear the full consequences of the actions).

There were a few modern events that led to significant changes in Fed action and intervention. The first was in 1987, after Black Monday (the historic Dow sell-off of more than 500 points, which, at the time, accounted for a whopping 22.6 percent loss on the day). The Fed stepped in, announcing that it was ready to be a source of liquidity to support the markets and the economy. It followed with what at the time was atypical intervention, lowering interest rates and increasing its open market operations, among other actions.[12]

The investor and pundit Peter Schiff, on his blog and in interviews, shared that when he was twenty-four years old, as Twitter had yet to be invented for people to yell at public figures, he did the old-fashioned (and quite proactive, I might add) thing: he sent a letter to Fed chair Alan Greenspan to share his displeasure with the Fed's intervention after Black Monday, seeing it as a mistake and as acting against Greenspan's long-standing free market stance.

Though Schiff didn't make copies of the letters he sent to Greenspan, Greenspan responded to him—twice—and he did keep those letters. In his second response to Schiff, Greenspan wrote:

> My own belief is that, rather than resigning ourselves to the fate of a recession as a method of correcting the distortions in the economy, we should face the problems creating those distortions and attempt to solve them. A key here clearly is the effort to rein in the federal budget deficit; it is crucial that the Congress move quickly to enact the recent agreement in a manner that provides some assurance that durable deficit-reduction has been achieved.
>
> Meanwhile, it is incumbent upon the Federal Reserve to do what it can to foster financial conditions consistent with sustainable, non-inflationary economic growth.[13]

Schiff's instincts were right, and Greenspan, though hopeful, fell into the trap that ensnares central planners and those of "good intentions" who want to "help" society. Greenspan believed that he knew better than the

market how to fix things, that Congress would rein in its spending, and that the free markets would eventually be allowed to function normally and without intervention.

That took the already non–free market Fed and set it off on the path of no return. It moved more toward central planning and further from capitalism and took the financial markets with it.

Though Greenspan's actions were a first step, the giant leap happened more recently with the Fed's intervention during the Great Recession (aka the 2007–2009 financial crisis). Historically, the Fed's balance sheet wasn't a tool that was substantially used in a way that made anyone other than policy wonks take notice.

The Fed's actions during the Great Recession changed that. Prior to the crisis, the Fed's balance sheet had been less than $1 trillion to accommodate monetary policy. In times such as the Great Recession, when the Fed had already brought the target rate down and believed it needed more tools to enact its policy, it engaged in large, coordinated purchasing of securities in the open market to expand its balance sheet. This series of actions goes by the financial term you have undoubtedly heard many times over the last decade and a half, quantitative easing, or QE; the contraction of the balance sheet by shedding the securities from the balance sheet is known as quantitative tightening. As you can guess, QE was not a traditional activity of the Fed historically and introduced a significant amount of intervention in the markets.

Little "Interest"

The Fed funds rate had been lifted as high as 20 percent in 1980 as a tool to "fight inflation" and headed into the single digits in the latter half of the 1980s. After the dot-com bust in the early aughts, rates were brought down substantially as a means to spur economic growth. As the economy regained its footing, the Fed, as is the normal course of business when an economic recovery happens, began raising its rates. By June 2004, small 25-basis-point increases were occurring (100 basis points are equal to 1 percent; 25 basis points are .25 percent). The Fed enacted five increases in 2004, eight in 2005, and another four in the first half of 2006, bringing the Fed funds rate up to 5.25 percent by the end of June 2006.[14]

The Fed funds rate was then left alone for a year and a quarter until there were whiffs of instability due to what we now know to be the major financial crisis of the Great Recession. Starting with a 50-basis-point cut in September 2007, the Fed funds target rate was lowered all the way to 0.00 to 0.25 percent by December 2008.

What happened was unprecedented in both absolute numbers and duration. You'd have to go back around sixty years to find a Fed funds target rate as low as 0.5 percent. However, under the stewardship of Fed chairs Ben Bernanke and then Janet Yellen, the Fed kept the historically, unprecedentedly low 0.00 to 0.25 percent rates for seven years. Let me reiterate that: seven years!

In addition to the interest rate maneuvering, the Fed's balance sheet was leveraged as a tool—or perhaps a weapon?

During the Great Recession, beginning in 2008, the Fed initiated a massive and increasing QE program, which at first targeted government securities, such as Treasury securities, but then moved into buying other debt-oriented securities, including mortgage-backed securities.

By the end of 2009, the Fed's balance sheet stood at close to $2.25 trillion, more than two and a half times what it had been just sixteen months earlier. It's important to remember in this discussion that the Fed had bought those assets with money that it had generated from an accounting entry.

Though people may argue that this Fed action was required to provide needed financial system liquidity during the crisis, even if you agree, the level and duration of interference remain unprecedented and dangerous. As with so many other "good intentions," once you give up a principle, it is too easy for the ensuing actions to be abusive.

As it came out of the financial crisis under President Barack Obama, the United States endured the most anemic job recovery since the Great Depression. As such, the Fed was not pressured to move interest rates. The Fed hid behind the shield of still needing to fulfill its mandate of maximizing employment, and with no signs of inflation, it kept interest rates near zero.[15]

The Fed's target rate was finally increased 25 basis points in December 2015 to a paltry 0.25 to 0.50 percent. After the election of Donald Trump as president in November 2016, with the hope for more business-friendly, pro-growth policies to spur the economy, the stock market increased by 4

percent in just over a month. With that movement, in December 2016, the Fed enacted another 25-basis-point increase, a full year after the previous one, to 0.50 to 0.75 percent.

Even though the economy seemed to be in the late stages of its expansion cycle, the new pro-growth agenda gave it some additional gas. The market received a boost, too, and with accommodative monetary policy, unemployment was brought to historically low levels without the economy seeing runaway inflation.

With the increasing steam brought to the economy, the Fed was able to inch the rates higher, both under Yellen's stewardship in 2017 and then under Jerome Powell's stewardship after being appointed to the post by President Trump in 2018. By September 2018, the Fed funds target rate stood at 2.00 to 2.25 percent; that was higher than zero but nowhere near the high of 5.25 percent seen before the financial crisis, which itself was far away from the types of rates seen in, say, the late 1970s through the 1980s.

After the Fed announced QE1 (aka the first QE program), it made north of $1.4 trillion in asset purchases. By March 2010, the securities on the Fed's balance sheet totaled $2.3 trillion. Though it was considered an "emergency" measure, the balance sheet never contracted during that period, with assets reaching more than $4 trillion in 2014. Once again, this meddling is more consistent with democratic socialist theory than with capitalism.[16]

The Powell Fed, 2018–2019

Though the economy was on a sound footing, the market and the president began to pressure Jerome Powell, after three rate increases, to hold off on continuing to raise interest rates. The arguments for pausing were thin and flimsy; the economy was growing moderately, and unemployment rates continued to trend down toward historical levels. Furthermore, the incentives of lower interest rates had been worn out by their duration. After seven years of 0.00 to 0.25 percent rates and a still historically low Fed funds rate of around 2 percent, the promise of low rates wasn't going to spur any substantial action. "Credit" wasn't a draw—its availability at low cost wasn't going to urge companies to make more capital expenditures or convince consumers to spend more if they hadn't done so already. Interest

rates had already been low for a decade, so there was no pent-up demand for cheap debt.

Normalizing was, in my own opinion and the opinion of some market pundits and economists, the right thing to do. However, the market didn't like that one bit. They were addicted to the "easy money" provided by the Fed and didn't want it to stop. President Trump frequently and publicly weighed in on the Fed, despite being critical of the Fed having kept rates low under President Obama, the Fed's independent status, and the lack of historical presidential commentary on Fed decisions. This was likely because of the potential impact on the markets, a measure that Trump obsessively focused on—or perhaps his own history in real estate, which makes extensive use of credit and could have made him more focused on interest rate activity.[17]

As an example, in July 2018, the president told CNBC after the Fed announced one 25-basis-point rate hike, "I'm not thrilled. I am not happy about it. . . . I don't like all of this work that we're putting into the economy and then I see rates going up." However, that's exactly what should happen in a strong, stable economy, particularly a free market one![18]

When the Fed raised interest rates another 25 basis points in December 2018, the market went nuts. By going nuts, I mean that the Dow shed almost 1,900 points—nearly 8 percent—and the S&P 500 was down 7.66 percent over that day and the following three trading days, up to and including Christmas Eve. Criticism and bullying of the Fed by the market—and the president—continued.

Powell and the Fed stayed firm until August 1, 2019, when, inexplicably, despite record low unemployment (half of the dual mandate), a growing economy, and a healthy outlook set forth by folks in the administration, the Fed took what it couched as a "preemptive" step to quell concerns about slowing growth globally and lowered rates. Why would they do this when interest rates had been so low for so long? Additionally, the administration was saying that US growth was on a firm footing. I will discuss the implications of this action in greater detail below.

For three meetings in a row, inclusive of the aforementioned decrease, the Fed cut rates again, and by the end of October 2019, the Fed funds target rate was back down at 1.50 to 1.75 percent.

Critics worried that in addition to the bad implications for savers and asset bubble creation, this would give the Fed fewer tools, or, in financial

jargon, “arrows in its quiver,” should a real problem arise, such as a severe recession or some other global event that might require some monetary policy intervention.

Yet the market investors won and the president was happy. Well, actually, he wasn’t. He didn’t think it was enough, and with each rate cut, he further criticized the Fed for not doing enough. After the Fed lowered the target rate 25 basis points in September 2019, Trump tweeted, “Jay Powell and the Federal Reserve Fail Again. No ‘guts,’ no sense, no vision! A terrible communicator!”[19]

I will also mention that the Fed, the world’s preeminent central bank (overseeing the dollar, the world’s preeminent currency), and other central banks around the world were enabling a dangerous cycle. When worldwide central banks, including the ECB in Europe, lowered their rates, that gave the Fed cover to lower rates as well. However, that enabled more lowering abroad and so on, instead of the United States leading the way to interest rate normalization as the world’s premier economy. This has led to prolonged negative interest rates in Europe (a simple explanation of negative interest rates is that banks don’t earn money on their excess reserves; they are punished by being charged a fee for holding on to excess reserves, which is meant to push more lending and supposedly boost the economy—as you can imagine, this comes with downsides and criticism).[20]

During this period, the Fed’s balance sheet, which had ballooned to $4.5 trillion at its peak, started to contract with securities sales under Powell, reaching $3.8 trillion in August 2019. However, that was short lived, and it started slowly climbing back up again as the Fed reversed course, hitting north of $4.2 trillion by the beginning of March 2020.[21]

2020—An Undue Emergency

After leaving rates steady since October 2019, on Tuesday, March 3, 2020, Jerome Powell and the FOMC undertook a surprise, unscheduled emergency rate cut of 0.50 percent, a move that hadn’t been taken since the Great Recession financial crisis.

Though the move was made under the guise of strengthening the economy in the face of uncertainty from the virus, it read to many in the financial community that Powell was receiving pressure from the recent and

violent market sell-off activity and badgering from the president to lower rates. However, given that the rate cut wasn't done concurrently with a scheduled Fed meeting (and particularly since one was coming up in a couple of weeks), instead of instilling confidence in the market, the market perception was that things were much worse with the virus and the economy than anticipated.

CNBC printed comments by Chris Rupkey, the chief financial economist at MUFG Union Bank, who said that the Fed cut "looks rushed to us and not properly considered" and that "Moving between meetings with a bigger than normal interest rate cut looks like Fed officials are panicking as much as stock market investors did last week. They did not need to be so aggressive and the Fed under Powell keeps responding wrongly in our view more to the financial markets than they are to the broader economy."[22]

Politicians, particularly those in the Trump administration, were thrilled—sort of. Trump said in a tweet that the cut wasn't enough, though Treasury Secretary Mnuchin said, "I applaud the Fed on this move."[23]

In the weeks that followed, the Fed increased its lending in what are deemed temporary or transitory open market operations called repurchase agreements or "repo" operations.[24]

The markets were in complete disarray. On both Monday, March 9, and Thursday, March 12, the post–opening bell circuit breakers at the New York Stock Exchange were triggered at Level 1, which occurs when the S&P 500 hits a 7 percent decline from the previous day's close and the markets are paused for fifteen minutes to realign.[25]

Later that day, the Fed announced its intention to make more than $1 trillion in asset purchases across a range of products. The very next day, the Fed accelerated its asset purchase announcement from just the day prior, and investors perceived it as bona fide QE.[26]

Investors and other market watchers warned that the Fed might be looking to appease the market (which is not part of its mandate) as opposed to having a real impact on the economy. Put more plainly, the Fed's actions were intended to boost the market, not help small businesses.

On Sunday, March 15, in the second emergency move in two weeks, mere days before a previously scheduled Fed meeting was supposed to take place, Powell announced that the Fed was dropping its target interest rate to

0.00 to 0.25 percent and “officially” launching a new round of quantitative easing, targeted at $700 billion and inclusive of Treasurys and mortgage-backed securities. While saying the Fed would not entertain negative interest rates, the announcement essentially took the last interest rate arrow out of the quiver. Futures, which act as after-hours/premarket indicators of market expectations, were down substantially. It was a precarious move vis-à-vis the state of economic activity.[27]

Fed Up?

The Federal Reserve Bank of Cleveland president, Loretta Mester, put out a statement saying that she had voted against the rate cut, making her the sole dissenter. She said:

> When markets are not functioning well, the transmission mechanism of monetary policy to the economy is disrupted, and any reduction in the target federal funds rate will have less of an impact on the real economy. . . . I preferred to stage our policy actions by first providing liquidity to improve market functioning, supported by a smaller reduction in the funds rate. This would have preserved the option of a further cut in the funds rate, if needed, for a time when market functioning had improved and such an action could be expected to be most effective in supporting the economy.[28]

In layman’s terms, that means she was worried about not having any options for a rate cut as a tool in the future and doubted the efficacy of such a rate cut on boosting the economy (as opposed to the markets).[29]

The action didn’t help the markets, at least in the short term. Monday saw a market bloodbath; in addition to the Fed stoking investor fear, Trump said that the coronavirus pandemic could extend to August. The Dow closed the day by recording another record drop of 2,997 points, or nearly 13 percent.[30]

As the drama around the virus unfolded throughout the country, the Fed kept intervening in the markets. It was an unusual economic scenario. As opposed to previous significant Fed interventions in the market due to systemic issues, such as the Great Recession, this economic halt was caused by governors turning off large swaths of the economy.

With the Fed funds rate already at zero, the Fed had to evaluate what tools it had. You could argue that no tools were necessary; monetary policy

can't put people back to work who were out of work because the businesses they had worked for had been shut down.

That didn't stop the Fed. Its balance sheet swelled, again buoyed by money created from nowhere. It also included some unprecedented measures, including expanding the types of securities it was going to buy, putting into place emergency lending facilities, expanding the scope and powers of programs, and even adding a Main Street Lending Program. Though it carried the "Main Street" moniker, the program didn't really help the bulk of small businesses. The program was targeted toward larger small businesses and middle-market companies that had the ability to take on debt.

The program was not well received by either banks or customers because most companies that could service debt already had access to plenty and most smaller businesses were not in a financial position to take on more liabilities. Again, the small businesses that needed it most weren't helped.[31]

A Moral Hazard

Back in the end of March, the Fed made another unprecedented and highly cronyist move by hiring BlackRock, the world's largest asset manager, to manage a government bond purchase program. The *Wall Street Journal* said that BlackRock would purchase a number of different securities, including a

> vehicle for buying already-issued investment-grade bonds. . . . But the firm has latitude to buy U.S. investment grade bond ETFs—including exchange-traded funds of its own. BlackRock is the largest provider of bond ETFs. . . .
>
> The tasks place BlackRock in a potentially controversial position of implementing the administration's response to the spreading coronavirus pandemic. The firm's roughly $7 trillion reach extends into everything from equities to bonds to private equity. The firm will face significant scrutiny on how it prevents conflicts of interests.[32]

The market commentator Jason Orestes broke down the implications for TheStreet, saying:

> The Fed also has now begun purchasing "risk assets" or securities that carry no such federal guarantees. . . .
>
> The Fed isn't legally able to do this by itself, and it's making it happen through some creative financial engineering. The Treasury is officially the one making the purchases with the help of BlackRock via special purpose vehicles (SPV) that are financed by the Fed. So the Fed

> is essentially acting as banker to the Treasury, which is employing BlackRock as its broker to carry out the effective nationalization of parts of markets.[33]

The move prompted thirty investor and watchdog groups to send a collective letter to the Fed, emphasizing the potential for conflicts of interest and the "lack of transparency and oversight" in the BlackRock arrangement.[34]

Was that action truly a means to help the economy, or was it purely a means of not letting a good crisis go to waste in helping out Fed and Treasury cronies on Wall Street? I'll give you a hint: it wasn't designed to help the parts of the economy that were in the most trouble.

Here's another hint: The Fed scaled back what it calls "noncritical oversight" of financial institutions. It also made it easier for banks to invest in riskier assets, such as venture capital funds, and pared back some derivative trading rules, which came out of the post–Great Recession regulations.[35]

Sheila Bair, the chair of the Federal Deposit Insurance Corporation (FDIC) during the Great Recession financial crisis, said in an interview with CNBC that the move was "ill-advised" and that it increased risks to the financial system.[36]

As many small businesses on Main Street across the country continued to suffer shutdowns, the Fed continued to support Wall Street. By March 27, the Fed's balance sheet reached a record high, passing the $5 trillion threshold.[37]

Even the Fed's Main Street Lending Program went upmarket, in April increasing the eligibility ceiling to 15,000 employees. What small business has 15,000 employees? The minimum loan size was reduced from $1 million to $500,000. How many small businesses can take on half a million dollars of debt? Eventually, the minimum was lowered again, to $250,000. The program took several months to get going.

Though the most significant risks to the economy were to small businesses, the actions that were continually taken supported much larger entities, typical of big government and those enabling them or enabled by them. That helped Wall Street and the biggest companies consolidate more value and power.

By the end of May, the Fed's balance sheet had passed a staggering $7 trillion, equivalent to about a third of the 2019 GDP. For additional context,

the entire US national debt at the end of January 2004 was approximately $7 trillion.[38]

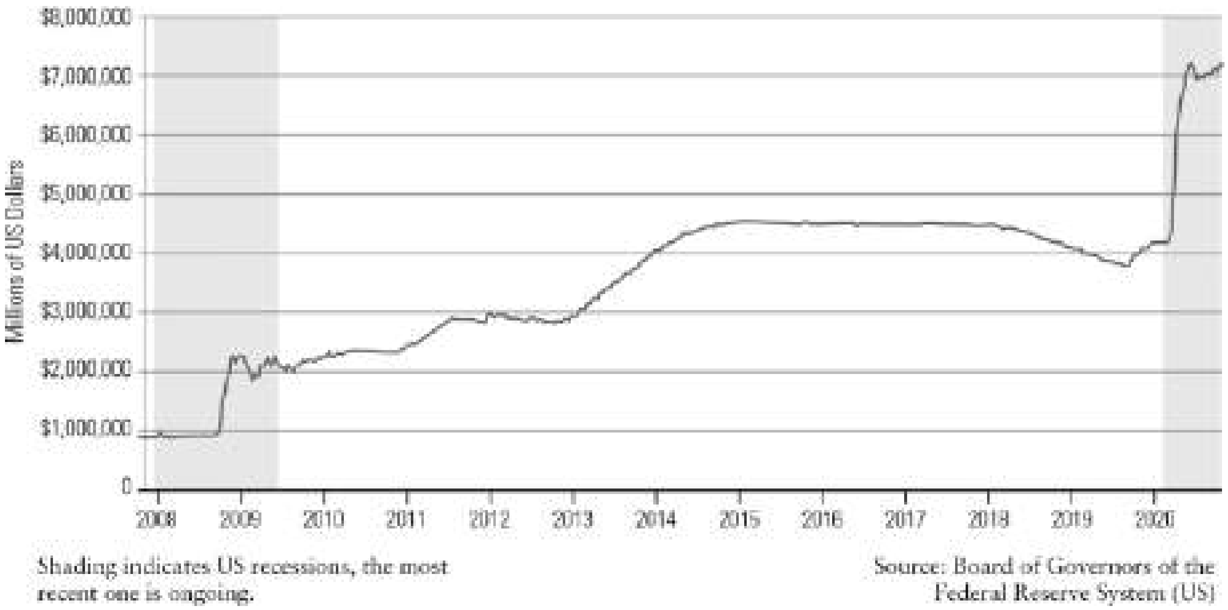
That unprecedented increase, along with the means of enactment, brought more scrutiny to the Fed from those "in the know." Jeff Cox, an author and financial journalist who covers the Fed for CNBC, noted that as the Fed had been buying corporate debt in the market, it was supporting not just "struggling companies" struck by COVID but banner names such as Microsoft, Home Depot, and Visa and that "The Fed holds an expansive list of other companies indirectly, including names like Apple and Goldman Sachs, through exchange-traded funds it has purchased."[39]

Let me reiterate that while small businesses were struggling and looking for a lifeline, the Fed was buying Home Depot's and Microsoft's corporate bonds.

Cox further quoted Kathy Jones, the chief fixed income strategist at Schwab Center for Financial Research, who raised, as many had before, the issue of moral hazard. "I do think it's moral hazard," she said. "I think it's something they're going to have to deal with when things settle down. There will be accusations that they committed money in ways that didn't make sense and didn't help the average Joe." Cox also noted that Goldman Sachs saw the potential for moral hazard, misallocation of capital, and a diminishing appearance of independence for the Fed.

By the end of August, Powell announced during the Fed's annual symposium that it had in effect shifted their dual mandate and would focus on the unemployment rate, even if that meant letting inflation run up more than expected in the short term, as long as it averaged around 2 percent over time. Some investors took that as a clear signal that interest rates would not be raised at any point in the foreseeable future; others took it as a sign that inflation was already coming.[40]

Total Assets: Federal Reserve, Millions of US Dollars, Weekly, Not Seasonally Adjusted, July 2007–October 2020



Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WALCL.

The Market Isn't the Economy

Though investors were making money in the market, Main Street businesses were not faring as well. A report by the Federal Reserve Bank of New York said, "Nationally representative data on small businesses indicate that the number of active business owners fell by 22 percent from February to April 2020—the largest drop on record." It also noted that Black-owned businesses had fared the worst with a 41 percent drop and Latino-owned businesses had decreased by 32 percent. The report pointed to the lack of banking relationships and weaker financial positions, particularly in the most vulnerable communities, as well as their urban locations, which translates to blue states with heavy central planning.[41]

The business review platform Yelp released its September Economic Average report and found that on its platform—which, as noted, caters to small businesses and service and consumer businesses—by the end of August, 163,735 businesses indicated that they had closed, an increase of 23 percent over the previous month (covered in chapter 1). That was based

on voluntary reporting and did not capture any companies that had closed whose owners had not taken the time to update their listing on Yelp.[42]

Yelp also reported that 60 percent of the closed businesses had indicated that they would be closed permanently. That data stands as a stark reminder, vis-à-vis the market reaction to the Fed, of the different realities of the 2020 economy. The economic recovery was likely to be what I call “E shaped.” Imagine the horizontal lines that make up the capital letter *E*: those at the top, including big businesses, juiced by government and the Fed, directly or indirectly, stay on top and likely grow. Those in the middle probably aren’t hurt or helped much in either direction. And those at the bottom, such as small businesses, workers in service industries, and others will have a long and painful recovery ahead.

In the fall of 2020, Alignable surveyed small business owners and found that 34 percent of small businesses that hadn’t yet closed couldn’t pay their October rent. Meanwhile, many of the biggest US businesses were getting larger.[43]

Main Street Versus Wall Street

This all sounds bad theoretically, but what does it mean in practice for you and me, as well as for small businesses and the economy as a whole?

I say this with the understanding that Wall Street, despite some of the political posturing, isn’t just the “elites.” The US markets are widely considered the most important in the world and have far-reaching implications for middle-class Americans, as many of their pension funds, 401(k)s, and other retirement funds are invested in them. A well-performing stock market often has a “wealth effect” that spills over into other asset classes, such as helping increase home values. So what happens there does have extensive reverberations across the economy.

That being said, 2019 data counted fewer than five thousand publicly traded companies in the United States, compared to the pre-COVID 30.2 million small businesses. The implications and outcomes for these categories of businesses are very different. The scale of big businesses allows them not only to access the public markets for capital, but also to take different capital allocation decisions than a small business without that scale can. A low interest rate may have enabled a small business owner to

borrow at a lower rate to make a capital improvement in his or her business. But as the small business owner is probably still on the hook personally for the loan, he or she is perhaps less likely to take one out or at least will be more careful about doing so. The scope of their borrowing also has a much smaller impact than for a big corporation with a larger capital base, which can take on much more debt and use it to expand or buy back shares, etc.[44]

The Fed's long-term market intervention also drove even more short-term thinking, which was already a challenge on Wall Street. Instead of meaningfully increasing hiring, making capital investments, or saving for an emergency, companies made capital allocation decisions such as deciding to buy back stock, which, by decreasing the number of shares outstanding, increases the metric of "earnings per share" but doesn't strategically add value to the business—or directly help to grow the economy.

It also does not incentivize saving for an emergency.

Furthermore, by signaling their continued artificial support to the market with statements such as "We're not thinking about raising rates, we're not even thinking about thinking about raising rates" that Powell made in mid-June 2020 and supporting the debt of poorly managed big enterprises, the Fed did not create any incentives for large, publicly traded companies to change their behavior. It also further increased the market's dependency on government intervention.[45]

Small businesses do not have that luxury. With small firms having limited capital overall, there are no special benefits or support for small businesses that result from Fed intervention. This means that a publicly traded company such as The Cheesecake Factory, even before the pandemic, had substantial access to low-interest-rate debt that allowed it more flexibility to grow (as well as buy back its stock and return capital to shareholders). The Cheesecake Factory took advantage of that; at the end of the third quarter of 2015, it had zero long-term debt on its balance sheet (excluding any lease obligations or landlord financing). By the same point in time in 2019, it had taken on $335 million in long-term debt. The small family restaurant down the street from you didn't have the same access to funding. If it were able to take on any at all, it would have been a small amount and likely personally guaranteed by the owner.[46]

Again, this is government (or government-approved) favoring of bigger companies over the small businesses of Main Street.

The Fed's measures also provided cover, whether intentionally or not, to the state governors. State pension funds, some of the largest investors in the market, were being artificially inflated, so their pension managers and cronies weren't pressuring their respective governors to change their myopic course of action.

Regarding the individuals of Main Street, the extended downward pressure on interest rates also had meaningful implications for those who depended on interest income because now their CD or money market account or bond was paying much less in interest than what they had expected. If you are a retiree and looking for income on your savings and investments with low risk, you now would receive a fraction of what you might have expected if interest rates were normalized. If you were planning to retire, you had to factor the lack of interest income into your plans and perhaps delay retirement to save more money to make up the difference.

Or if you, for the reasons mentioned above or otherwise, were looking to find an appropriate level of earnings on your investment (also known as "yield"), you might have to take on more risk, in either a riskier, interest-bearing debt security (such as a riskier fixed-income product) or via a stock that had a dividend that could provide you that ongoing earning level to substitute. At the time of writing, risky "junk" bond yields were at record lows. This means you don't get paid much more for taking the risk of buying a lower-quality security.[47]

It was not just retirees who were chasing yield. Because debt yields were down, people with money to invest chased after riskier assets with their money, including stocks. The law of supply and demand tells you that when more money is chasing stocks, it drives their prices up. The lower the yield and the longer the duration of the low yield, the higher the artificiality or inflation in the prices of riskier assets. Also, money returned to investors via stock buybacks now needs a place to go, so it gets deployed back into the market, even further inflating valuations. The same thing happened with a chunk of the individual COVID stimulus "relief" money that, because of the ineffective structure I previously discussed, many people put into the stock market.[48]

This creates an even worse situation for these investors because they are purchasing these riskier assets at inflated prices, exposing them to bigger potential losses when the asset "bubble" pops.

The Fed had fully disrupted risk in the markets.

This also led to a huge increase in the number of IPOs, as well as Special Purpose Acquisition Companies (SPACs). SPACs are entities that raise money publicly without having a business (because of this, they are also known as "blank check companies"), with the intention to go out and acquire a business later. Considered highly speculative, there were around four times as many of these vehicles created with more than five times the proceeds in 2020 versus 2019.[49]

So while Main Street small businesses struggled, the stock market indices continued to hit all-time highs. Amazon's value increased to record levels while your local restaurant went out of business.

This is not to say that Amazon and other big businesses aren't important. Indeed, the role Amazon played leading up to and during the pandemic has been invaluable. The larger point is that the Fed's intervention has created an even more unfair playing field and outcomes for large businesses and increased their values artificially.

In November 2020, the equity analysts Sophie Huynh and Charles de Boissezon at Société Générale projected that without the Fed intervention in 2020, particularly QE, the stock market would have been materially lower through the end of October. Their note to investors, as reported by MarketWatch, said, "In fact, without QE, the Nasdaq-100 . . . should be closer to 5,000 than 11,000, while the S&P 500 . . . should be closer to 1,800 rather than 3,300." This is value that has been transferred to Wall Street at the expense of Main Street. That is not capitalism.[50]

To recap, government shuttered small businesses, sending their customers to spend with bigger companies, and then the Fed's intervention added rocket fuel to make those big companies more valuable and powerful.

Consider additionally those individuals who are not currently invested in the markets. They are more concerned with having a job to go back to. Plus, strengthening the economy benefits the entire market, including the publicly traded companies, via consumer and business spending. Prolonged monetary policy like this only shifts value to those in the right position.

And that's the issue: this type of intervention by the Fed, which you can argue whether was necessary or not in the Great Recession, did not make any sense in 2020, given the state of interest rates and the Fed's balance sheet prior to the economic collapse, and the collapse coming from government and pandemic-related issues, instead of systemic problems.

That leads to the conclusion that either the Fed was incompetent or it was fulfilling the crony duties aligned with its creation. Either way, that intervention interferes with capitalism in a nonbeneficial way.

Longer-Term Implications

There are other effects of the Fed intervention that are likely to play out over the long term, including the impact of "zombie" companies (which are already here), inflationary issues, the lack of "arrows in the quiver," and a potential for a future debt crisis.

No Arrows in the Quiver

Even if you believe that some central bank intervention is warranted from time to time, in emergency situations such as the Great Recession financial crisis, the Fed's actions over the decade-plus preceding 2020, and particularly the last several years, are still not justified. In fact, they jeopardize the Fed's ability to act in a systemic crisis. That jeopardizes the economy as a whole at the expense of kowtowing to the markets.

Had the Fed continued to increase rather than decrease interest rates (or at least leave them at their December 2018 levels), it would have some tools to utilize in the future. It would allow the markets to adjust naturally, something that at this point, after so many years of intervention, many investors can't even remember.

Inflation

Another impact that individuals have to worry about from the central bank's decade-plus expansionary monetary policy is the impact of inflation.

Whether we have already seen some inflation is up for debate. Though at the time of writing we could all agree that we were not in a period of runaway inflation, the veteran investor David Rocker said that inflation was here and had "just shifted from consumables to physical assets. Stocks and housing have risen sharply in response to the low interest rates. Further, it is

not unreasonable to expect inflation to rise from here. Many of the forces that kept prices low are now reversing."[51]

Inflation is an increase in the cost of goods and services. In theory, there are more dollars chasing scarce goods and services, and therefore, every dollar you earn has less purchasing power than it did before inflation. Because of the expansionary effect of low interest rates and growing the Fed's balance sheet, those measures usually are accompanied by some future inflation. However, there is a lag between policy and outcomes. Inflation is one of many outcomes that investors and pundits have been waiting on over the last decade, and it is hard to predict and control once the horse leaves the proverbial barn.

The combination of Fed intervention and the high personal saving rate post–COVID stimulus, which I discussed earlier, could lead to inflation if those savings are spent and personal savings returns to a historically normalized level. This could also be exacerbated by an accommodative Fed in concert with more government stimulus and related spending. However, because of the unprecedented intervention by the Fed and the mix of factors such as capital supply and savings, as well as an uncertain global economy, the range of economic outcomes goes from substantial inflation to a contraction in the US economy.

Gregory Daco, the chief US economist at Oxford Economics, wrote in a June 2020 piece on The Hill that the most significant risk for runaway inflation comes from "the politicization of the Fed." We can make the argument that this has happened, at least in some part, and given the trends, if something doesn't change, his concern will become a certainty. He said, "An environment in which the central bank permanently monetizes government debt by keeping interest rates artificially low and maintaining QE indefinitely could lead to runaway inflation, as was the case in the early 1970s."[52]

Creating "Zombie" Companies

In a *Wall Street Journal* piece entitled "The Rescues Ruining Capitalism," Ruchir Sharma, chief global strategist at Morgan Stanley Investment Management, described the way the Fed's and other government actions

have been saving companies not worth saving—the ones that capitalism should have killed off. He said:

> With more debt to fuel the same amount of growth, capitalism bogs down.
>
> Low interest rates are supposed to encourage investment in companies large and small, increasing productivity and boosting growth. Instead, as a recent paper from the National Bureau of Economic Research shows, low rates gave big companies a strategic incentive to grow even bigger, in large part because securing a dominant position in the market promises outsize financial rewards. . . .
>
> Government regulations, which expanded at an accelerating rate over the past four decades, created a thicket of rules best navigated by big companies with armies of lobbyists and lawyers.[53]

This is not capitalism; this is the government picking winners and losers and favoring the big guys once again. Sharma showed that this affected the distribution of companies, saying:

> Before the pandemic, the U.S. was generating startups—and shutting down established companies—at the slowest rates since at least the 1970s. . . .
>
> Today an astonishing number of the survivors are, quite literally, creatures of credit. In the 1980s, only 2% of publicly traded companies in the U.S. were considered “zombies,” a term used by the Bank for International Settlements (BIS) for companies that, over the previous three years, had not earned enough profit to make even the interest payments on their debt. The zombie minority started to grow rapidly in the early 2000s, and by the eve of the pandemic, accounted for 19% of U.S.-listed companies.[54]

That’s approximately one in five publicly traded companies—before the pandemic even hit—that did not make enough money to pay for the interest on their debt, let alone the principal! Under normal free market circumstances, those businesses would need to be restructured. Today, because of the Fed’s intervention in the market, they continue to be able to borrow money!

Zombie companies have several issues, including crowding out new entrants to the markets by providing resources to companies that otherwise wouldn’t have access to them. This is backed by a 2017 OECD study cited in Sharma’s piece that found that “zombie congestion” lowers productivity and reduces competition and startups.

This has a drag on innovation and the overall economy. Existing small businesses have to compete against larger zombie competitors that should be out of business. It also places smaller companies and other creditors at risk, distorting market signals regarding potential failure of the zombie companies. Often, zombie companies’ creditors are smaller firms, who may

find themselves getting pennies on the dollar—or no dollars at all—when the firms go through inevitable bankruptcy reorganization processes or entirely out of business.

Zombies eventually die; throwing money at a company that is structurally broken only prolongs the pain. In addition to the drag on innovation and the potential issues for small businesses and creditors, the zombie fallout could have other economic implications. It is estimated by Arbor Data Science that zombie companies control around 2.2 million jobs. Instead of the jobs falling out naturally in the past, when the economy had the ability to absorb them, they could be pushed to all collapsing around the same time, or in a time when the job market is soft, further dragging down employment and the overall economy.[55]

You could perhaps make the argument that stepping in to help companies during a broad economic crisis to regain footing makes sense. But keeping zombie companies alive for years on end is anticompetitive charity to Wall Street and other investors.

Future Debt Crises?

Obviously, the Fed indirectly influences the US government's ability to borrow at low rates, which helps them justify overspending. It tilts the playing field toward central planning and away from the decentralization of free markets. Even at low rates, more debt means more of future budgets paying for what has already been bought via increased debt service instead of spending on current endeavors. Pre-COVID, the Congressional Budget Office projected that net interest expense would rise to 11 percent by 2030, reducing the government's ability to pay for "nondiscretionary" spending. With the COVID spending, that is likely to be a conservative estimate.[56]

If there were no concerns about and adverse outcomes from monetizing debt and the government could just print to cover expenses, why should any of us have to pay taxes at all? That leads us to the concept of Modern Monetary Theory, or MMT, a fringe economic theory supported by democratic socialists that accompanies fiat money. It generally says that if the government can print its own money, it can basically do whatever it wants, with taxes being a means to control inflation. If printing money were

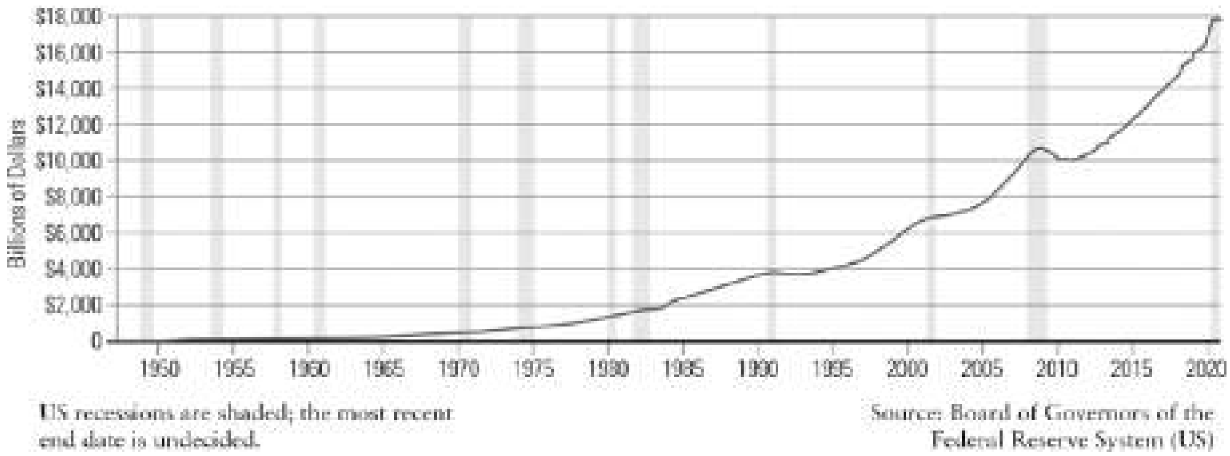
left unchecked, most economists believe it would lead to hyperinflation and currency devaluation, as we have seen historically around the world.

However, though we may shake our heads at this democratic socialist agenda, we have to recognize that aspects of it are already here with the Fed expanding its balance sheet and the government racking up massive debts and deficits. Central planning's bad outcomes are seen in the Fed, along with the government at large; this should be a five-alarm warning that what is being done is incredibly dangerous.

Speaking of dangerous, what about other debt crises that may come out of this historical intervention? Is the worst yet to come?

Bloomberg reported that "U.S. nonfinancial business debt soared in the first quarter by the most in records back to 1952," and according to the Fed, total nonfinancial business debt stands at around $17.7 trillion at the time of writing.[57] Though debt is an important tool for business, it is only so when the business can handle the debt. Outsized debt, unserviceable debt (like that of the zombie companies), and/or slower growth that makes the debt loads of companies unmanageable could threaten the economy in the years to come.

US Nonfinancial Business; Debt Securities and Loans; Liability, Level, Billions of Dollars, Quarterly, Seasonally Adjusted, October 1945–October 2020



Source: Board of Governors of the Federal Reserve System (US), Nonfinancial Business; Debt Securities and Loans; Liability, Level [TBSDODNS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/TBSDODNS.

The Fed's easy-money policy has also created concerns about debt securities called collateralized loan obligations (CLOs), which are securities made up of bundles of loans of various degrees of creditworthiness. They may sound familiar, as collateralized debt obligations (CDOs), which are similar but made up of mortgage debt instead of corporate debt, played a significant role in the Great Recession. CLOs have become big business, and though the credit rating agencies say that they are nothing to worry about, they also said that during the financial crisis.

The *Wall Street Journal* reported that a review published in the *Journal of Structured Finance* "found that ratings firms are inconsistent in how they apply their methodologies to CLOs and may be deviating from the criteria, which govern how grades are supposed to be assigned."[58]

How worried should we be? In June 2020, Fisher Investments said it was not concerned about CLOs, citing US banks' exposure as small compared to the fiasco of the last financial crisis. Things are different now, so while it may not be time to panic, the CLO issue, in conjunction with the other issues brought up or if the scope of exposure expands, could add fuel to the fire of a potential future debt crisis.[59]

Corporate Real Estate

The Fed’s artificially low interest rate environment boosted the corporate real estate market, which was devastated in 2020 as governors shut down businesses and mandated stay-at-home orders. This could have a range of impacts, from defaults to lower property values, which would decrease state and local income tax revenues, the latter of which will undoubtedly tempt many government entities to engage in more taxation instead of pro-growth policies to make up the shortfalls. This cycle is poised to further drag down local economies.

Pensions

There is also a concern about what will happen to already floundering government pension plans. Ben Meng, then the chief investment officer of Calpers, California’s public pension fund and the largest defined-benefit public pension fund in the United States, took the incredibly odd and unprecedented step of announcing the pension fund’s strategy in a *Wall Street Journal* op-ed in June, saying:

> even before the pandemic, we knew that our goal of achieving a risk-adjusted return of 7% would require addressing the market’s triple threat of low interest rates, high asset valuation and low economic growth. In late 2019 we mapped out an investment strategy to deliver sustainable results.
>
> The solution is based on “better assets” and “more assets” and will capitalize on Calpers’s advantages. . . .
>
> “More assets” refers to a plan to use leverage, or borrowing, to increase the base of the assets generating returns in the portfolio. Leverage allows Calpers to take advantage of low interest rates by borrowing and using those funds to acquire assets with potentially higher returns.
>
> This approach is not without risk.[60]

This is the country’s largest pension fund publicly telegraphing (1) that it needs cheap money to continue to get returns because of the Fed’s distortions of the market and (2) that it is going to use it to pursue riskier investments. Government pensions, being defined benefit, as discussed elsewhere in this book, are a giant mistake, allowing government officials to make promises of future payouts they cannot keep and leaving future officials to clean up the mess. The Fed’s actions create an even more uncertain investment strategy for these already underwater funds.

A Dangerous Path

The Fed had been on a long course of thinking it knew how to "control" the economy better than free markets. Alan Greenspan opened the door, but Ben Bernanke burst through it with reckless abandon, and there has been no turning back since.

Though artificially low interest rates gave big businesses war chests to prepare them to withstand 2020, most used them in nonproductive ways. The result is that the Fed, a quasi-government agency, picked winners and losers, transferring wealth to those who already have it and making it harder for those who don't to compete.

The Fed has slowed growth by propping up zombie companies, crowding out more innovation and small businesses. It has ensured that the biggest companies don't bear the same burdens that smaller, more vulnerable companies do.

It has thrown savers and retirees under the bus, all while propping up its cronies on Wall Street.

We do not yet know the full effects of the unprecedented actions of low rates and a $7 trillion balance sheet.

What we do know is that the establishment of the Fed was a ruse by the Wall Street elite to have cartel-type control instead of the free market, and today, that is still in place.

Though the central planning takeover of government, including the Fed, has enabled these damaging actions, if counteractions aren't undertaken quickly, the ruin of the US economy and its founding principles is certain to follow in short order.

The Fed is complicit in the war against small business, both directly and indirectly. It has overseen a tremendous non–free market transfer of wealth from Main Street to Wall Street. Failure to address this will mean more consolidated power and wealth on Wall Street and in big businesses, and ultimately economic ruin for those outside the power center.

Chapter 6

Social Justice and Social Costs

How Small Businesses Bore Significant Costs Due to Government's Economic and Civil Injustice

Across the United States, people were immensely frustrated, restless, and outraged at being told by the government that they couldn't work or their businesses could not open. Tens of millions of people were unemployed, children and young adults were out of school, and many individuals were wondering how a fifteen-day commitment to slow the spread of a virus had turned into months in lockdown.

That was coupled with a series of government-caused justice violations against individuals. The killings of George Floyd in Minneapolis and Breonna Taylor in Louisville, Kentucky, against the backdrop of the lockdown, led to widespread protests.

Though many legitimate peaceful protests occurred—a protected right that is vital and sacred—circumstances enabled those with nefarious intentions to take over and turn the protests into riots and looting. There was significant violence and destruction. Others, pushing an anticapitalistic, antifreedom agenda in favor of a coercive one, stood in stark contrast to the issue of big government infringing on people's rights via policing.

The indiscriminate nature of the chaos proved a double whammy for many small, struggling businesses. In Minneapolis, Korboi "KB" Balla, a firefighter who had dreamed of opening his own sports bar, had invested his life savings and "countless hours" into a new venture called Scores, which was planned for a March opening. Because of the state government shutdown of restaurants, Balla pushed his opening back to June. He made the news not for his new venture's opening but when he wept as it was burned to the ground during the rioting, a horrible irony for someone who had spent his life serving the public fighting fires. He was reported as saying, "To find out that the countless hours, hard work, late nights away

from my kids, and family had all been for nothing was soul-shattering. It is not the material things, more so the time that cannot be reclaimed."[1]

Twyana Balla, KB's wife, posted graphic images of the aftermath on social media, along with a message that reiterated that they did not have insurance, saying also, "Let someone come run in your home and loot for the cause then and let's see you be ok with it! This is your neighborhood and if you have children you couldn't even walk them down the street because everything is burning or destroyed. You wouldn't understand unless you was in this position! Justice for George Floyd but not this kind of justice."[2]

Generous individuals, moved by the Ballas' story, contributed to a GoFundMe charity campaign set up on their behalf. At the time of writing, the fund had received more than $1 million in contributions. But while the Ballas' story made the media and they found kind souls to help, not every entrepreneur was that lucky. It was heartbreaking that many of the targeted businesses were owned by small entrepreneurs and people of color, as well as being located in underserved areas. Damaging these small, vulnerable businesses was completely inconsistent with "fighting back against the system."

A look back by Minneapolis's *Star Tribune* to assess the damage noted that restaurants and retail establishments were "the hardest hit" by the arson, looting, vandalism, and rioting that happened in the wake of the Floyd protests. It was particularly devastating for those industries because, as discussed, those businesses had been among the earliest and most stringently targeted by government shutdowns, and they are owned in large part by small business owners. The *Star Tribune* estimated that the criminal acts in Minneapolis, St. Paul, and the surrounding communities had caused "millions in property damage to more than 1,500 locations."[3]

That also included, as noted by the Balla family above, many communities that were lower-income and had people of color as their primary residents.

The *Los Angeles Times* quoted thirty-year-old Liban Alin, a resident who had grown up and settled in the Lake Street area of Minneapolis, saying, "I agree with why people are upset, but don't destroy the community. Who knows if the businesses are going to want to come back?"[4]

David Allen, a forty-two-year-old resident of the neighborhood who had engaged in peaceful protest himself, was reported as saying that the looting had become a distraction and the pub where he worked had been closed and boarded up. “The message is getting lost,” he said, also noting that he and others had “lost confidence in police and most political leaders,” and that he believed that the neighbors would come together to rebuild.

Eli Aswan, a fifty-year-old car salesman who had immigrated from Tanzania nearly twenty years before, said that looters had stolen “more than $17,000 worth of auto repair equipment and titles,” and after a couple of days, he had decided it was time to “close up shop for a while.”[5]

While chaos ensued in Minneapolis, peaceful protests took place around the nation—and the world.

However, the nonpeaceful, illegal activities spread as well. By the end of the month, twenty-six cities in sixteen states, including Chicago, Philadelphia, Los Angeles, Atlanta, and others, instituted curfews (which were largely ignored).[6]

In Chicago, looting, which happened simultaneously with the Floyd protests and continued throughout the summer, was another hit to small businesses.

Small Businesses on the Front Lines

In addition to Chicago’s, other local governments failed to protect small businesses just as they failed to protect rights and serve justice.

Near the Capitol Hill Autonomous Zone (CHAZ) in Seattle (later also known as “CHOP”), which was part children’s backyard fairy tale–inspired play, part George Orwell’s *Animal Farm*, and part *Lord of the Flies*, local government allowed even more damage to the already struggling small business community.

Businesses that had the misfortune of being located near CHAZ, including a slew of small businesses, were forced to close, many of them vandalized and robbed. The *New York Times* later portrayed a different story of what had happened there, quoting small business owners in the area describing “encampments overtaking the sidewalks . . . roving bands of masked protesters smashing windows and looting . . . men wielding guns” and detailing how difficult it was to do business. It was the worst block

party ever. The business owners and residents also said that they believed many instigators were not part of Black Lives Matter (BLM) but rather were with antifa.[7]

Journalist Bowen Xiao reported that when an auto shop called Car Tender, located on the perimeter of CHAZ, was broken into, the owner and family members detained a suspect who attempted to rob and set fire to the store. However, they had to release the suspect as officers never arrived, despite their calling 911 several times. The son of the owner said he knew that officers wanted to help but couldn't, due to politics.[8]

With police activity being politically suppressed and a group of agitators occupying six blocks with no rules, not surprisingly, things went downhill further quickly and ended in lethal violence.

Following a weekend with multiple shootings that left one dead on June 22, the Associated Press reported a change in stance by Mayor Jenny Durkan. "The mayor says Seattle will move to wind down the city's 'occupied' protest zone following two shootings, including one that left a man dead." The block party was officially over.[9]

As the *New York Times* published regarding CHOP's aftermath, the outcome wasn't a good one. Its subhead was "What is it like when a city abandons a neighborhood and the police vanish? Business owners describe a harrowing experience of calling for help and being left all alone." The article went on to say that the abolish the police movement "has left small business owners as lonely voices in progressive areas, arguing that police officers are necessary and that cities cannot function without a robust public safety presence."[10] No protection of property rights means no businesses. No businesses mean no jobs, and so on. This was not an economic blueprint to be followed.

Ultimately, the progressive political "leadership" in Seattle demonstrated a government again not doing the very things that they were put in place for—protecting individual rights—and focused on everything with which it had no business being involved.

On August 11, Carmen Best, Seattle's police chief, a twenty-eight-year veteran and woman of color, resigned. As the *Wall Street Journal* said, "The city's first black police chief is out—thanks to progressives."[11]

In neighboring Portland, where small business owners had to deal with antifa, in addition to the negative social impact of the clashes, the economic

impact was tangible and severe. Stacey Gibson, who owned five fast-food locations in the Portland area, told Fox News that “the coronavirus outbreak had already taken a 60 percent bite out of her overall sales—then two months ago the rioting and vandalism began, slowing sales by another 20 percent.” Gibson also said that “she was initially supportive of the Black Lives Matter protests because she agreed with the underlying call for racial equality—but now believes the protests have been hijacked by violent opportunists seeking to cause destruction for no reason. . . . ‘It’s just not fair that people can break laws and not have any kind of consequence. . . . It’s terrifying as a business owner.’”[12]

The violence continued through the fall, with September protests featuring chants such as “If we don’t get it, burn it down,” just days after Oregon had endured horrific fires that were believed to be set by arsonists. The violence resulted in fatalities. There were no clear objectives other than political and social agitation, and again small businesses and vulnerable individuals suffered the most.[13]

The economic impact was felt for months after. *The Oregonian* said in December 2020 that Portland’s small businesses were having a hard time finding insurance, and when they did, it was at a significantly higher cost, with higher deductibles and more caps and restrictions, due to concerns over looting and other unrest and damage in the city.[14]

Social Costs

Justice is an important cause and must always be a priority. We can appreciate that and also note that the timing of the protesting, made exponentially worse by the rioting, looting, and other illegal activity that happened simultaneously with the demonstrations by those who were peacefully and legally exercising their rights, created a more challenging path to recover from—including creating social and economic costs in many lower-economic areas of the country.

Overall, the economic impact is hard to assess fully at the time of this writing. What we do know is that on top of the mandated business closures and fear that made people stay home and spend less money, the rioting made some businesses close for longer, and other businesses that were already struggling consider that it might not be worth it to reopen at all.

The *New York Times* reported that the Lake Street corridor of Minneapolis, “a largely Latino and East African business district,” had a fundraiser that generated $9 million to help supplement the damage they had sustained to their businesses. However, when Allison Sharkey, the executive director of the Lake Street Council, which was in charge of the fundraising, asked the small businesses what the gap was between the damage incurred by the looting, arson, and vandalism and what their insurance would pay, the estimates totaled in the range of $200 million. Sharkey’s own office, per the piece, was also burned down in the protests.[15]

In bigger cities, such as Chicago, the destruction meant the loss of not just small businesses but big companies as well, as retailers, restaurants, and other businesses sought to vacate their leases. Such business closures don’t just mean a direct loss of jobs at those establishments but also at the neighboring small businesses and jobs they support. Those workers are no longer going to work, so the establishments that provided the workers with coffee, lunch, entertainment, sundries, transportation, and other goods and services also lose out. This means fewer amenities to entice and support new entrepreneurs. The city’s tax base shrinks, and the cycle ends up draining money from the local and state economies.

As we wait for exact numbers, we can look at studies that were done on previous rioting and its impact as a proxy. Marketplace published insights by Victor Matheson, professor of economics at College of the Holy Cross, who had studied the costs of the Rodney King riots in Los Angeles in 1992. “‘Economic activity in the areas affected didn’t return for at least 10 years,’ Matheson said. At least not to previous levels. He said those riots cost almost $5 billion in economic activity measured in lost sales over 10 years. ‘If people don’t feel safe where their businesses are, then they don’t feel a need to rebuild.’”[16]

The analysis also looked at a major hurricane, Hurricane Andrew, that had hit Miami the same year and said that the economy had “recovered a heck of a lot faster.” The analysis pointed out that government response to hurricanes was better and that some of it came down to mental state. It is one thing to deal with a natural disaster, but mentally it is more difficult to rebuild after the intentional acts of other individuals, not to mention overcoming the depression of consumer confidence.

Whether local shoppers or tourists, who wants to patronize areas that are deemed to be unsafe? Also, if you are worried about flare-ups of looting

and violence, you may prefer to save your money instead of spending it—just in case.

In a 2004 study, "The Labor Market Effects of the 1960s Riots," William J. Collins and Robert A. Margo found that median Black family income had declined by 9 percent in cities where there had been substantial riots when compared with those that hadn't seen violence and found correlations between riots and an increase in African Americans living in high-poverty neighborhoods.[17]

On top of the direct business impact, there is the depression of commercial and residential property values. Another of Collins and Margo's reports found that the 1960s riots had "depressed the median value of black-owned property between 1960 and 1970, with little or no rebound in the 1970s."[18]

The business opinion writer Joe Cahill, in an op-ed for *Crain's Chicago Business,* talked about how looting is far worse than the pandemic in terms of long-term economic impacts, saying,

> Anyone who remembers or has studied the postwar era knows the corrosive effect of fear on cities like Chicago. It's deadlier to urban health than any pandemic, or even the dire fiscal woes facing Chicago. And it can cripple a city's ability to meet those challenges.
>
> It starts in real estate. A one-two punch of fear scares off buyers just as nervous residents put condos and houses up for sale. Economics 101 takes over, as excess supply and dwindling demand drive down values. And as values decline, builders who have been investing in city neighborhoods take their money elsewhere.[19]

Cahill then went on to talk about the interconnectedness of the local economies, which leads to fewer amenities and businesses, fewer jobs, then fewer businesses, and so on. In certain cities, such as Chicago, he notes, that can spill over to the convention and tourism businesses that are critical to those cities' revenue bases and overall economies.[20]

Not coincidentally, this has led to an acceleration of a trend that had already started: an exodus from big "blue" cities and states to "red" cities and/or states that have more freedoms and are less substantially impacted by overbearing government systems, policies, regulations, and, of course, taxes. Illinois, for example, saw a net population loss of around 80,000 people in 2020, with losses increasing every year for the last seven years.[21]

And, of course, as discussed elsewhere in this chapter, there is also a substantial impact on more impoverished communities, whose residents have fewer resources available to help rebuild and who end up being

viewed as riskier investments as lawlessness prevails. Also, without the revenue base generated by those who are better off and are migrating out, there is left a smaller pool from which to fund everything from schools to other public services.

In May, the Congressional Budget Office provided an early analysis to Congress, estimating that the long-term fallout from the government's COVID reactions could impact the GDP to the tune of $8 trillion over the next decade, and that was before the impact of the rioting.[22]

Analysis later in the year, discussed in chapter 7, estimated total costs at double that.

Justice for individual rights is wholly intertwined with economic freedom. Suppressing economic opportunities and liberties and disenfranchising people to take risks required to reap economic rewards unfortunately moves that effort in the wrong direction.

Government's Economic Injustice

Layering the economic fallout of government pandemic panic and mismanagement with the additional economic blows of the rioting and looting created more dire financial situations. When small businesses saw the government stomping on their property rights, they turned around to find others destroying their property. That slowed the opportunities for recovery across the board. Some individuals won't ever be able to recover fully.

Small businesses were shut down, looted, and burned to the ground. There was no help. There was no meaningful financial lifeline. The war against small business was accelerating.

Chapter 7

A Couple Hundred Days' Worth of "Fifteen Days to Slow the Spread"

A Rapid and Historic Consolidation of Power and Wealth

July 23, 2020, also known as day 130 of "15 Days to Slow the Spread," was Opening Day for the 2020 Major League Baseball season. Though many small businesses around the country remained shuttered or were fighting for their existence and 16.3 million people were without jobs, professional sports were clearly essential, so much so that Dr. Anthony Fauci was recruited to throw out the first pitch for the MLB season opener between the Washington Nationals and the New York Yankees.[1]

The optics of that were bad; people were struggling. Businesses were being stymied while baseball was allowed to proceed. Fauci, who had made many mistakes and even outright shared known misinformation—"Right now, in the United States, people should not be walking around with masks"—was being held up as a hero.[2] It was partly politics, partly gaslighting, and partly a statement of who and what were valued.

Small business optimism was falling. A far cry from January's near-record optimism, the NFIB's Small Business Optimism Index for July showed a mere 25 percent of small business owners believing business conditions would improve within the following six months. "Small businesses are clearly still struggling from the coronavirus pandemic, whether through continued shutdowns, lower sales, higher costs, or troubles hiring," said William Dunkelberg, NFIB's chief economist.[3]

How could they not be demoralized? The hospitals weren't overrun yet; the health care system was not even taxed nearly everywhere; but businesses had been impacted for more than a quarter of a year without any clear benchmarks.

Earlier that month, California governor Gavin Newsom had ordered another round of business closures across nineteen counties in the state. Of note was the closure of wineries. In the words of *The Sun*, that had created substantial "sour grapes" because PlumpJack Winery and its tasting room, operated by a company cofounded by Newsom, was exempt from the order.[4]

Speaking of grapes, they were also at issue on the other side of the country. In New York, Governor Andrew Cuomo had put into place a rule that any bar that served alcohol must also serve food in order to remain open. That arbitrary rule was more closely aligned with control and cronyism than with science. Cuomo tweeted, "Let's be clear. Outdoor dining is now permitted statewide. Outside drinking is not."[5]

Different establishments got creative. Handshakes Bar & Grill in New York's Hudson Valley posted a "CUOMO" menu to Instagram, using the acronym to name it "Cuomo's Unnecessary Obligated Menu Options" and featuring a handful of $1 menu options of a few fries or a couple of onion rings with creative names. A bar in Buffalo called the Lafayette Brewing Company also threw together a $1 menu, mocking the mandate's absurdity with options such as "Grapes; Just a few grapes, not sure the color."[6]

When asked about it by reporters, Cuomo said, "they do not suffice in the existing law as a 'bar serving food.'"[7] According to WRGB in Albany, one establishment, Harvey's Irish Pub, received a call from a State Liquor Authority investigator, who said that chips wouldn't satisfy the order and would need to be served with salsa, dip, or something similar to comply. Where is the science or precedent in trying to control whether chips are served with or without dip, particularly as it relates to the big picture of the virus and the economy?

On the subject of dips, the dippy rules were generating real losses and waste. One entrepreneur said the mandate was causing him to throw away an unprecedented amount of food, as people were ordering the food to comply with the rule but not eating it.[8]

That political foolery was underscored by the performance of New York financially. That month, the state still had an unemployment rate of 15.9 percent, more than 50 percent higher than the national average.[9]

Yet New York State proceeded with more cronyism, favors, and control of what was deemed "okay" or "essential." For example, the MTV Video

Music Awards were allowed to proceed without an audience but with a large staff, including performers and crew.[10]

In addition to vulnerable small businesses bearing a large part of the economic burden of the picking of “essential” businesses, younger individuals endured a significant toll, with youth unemployment rising more rapidly than for other workers, according to an analysis by Bloomberg. Youth unemployment for July, according to the Bureau of Labor Statistics, was still at 18.5 percent.[11]

More Problems, More Money?

As various states around the country opened their economies in part or in full, jobs came back. Though the media and economists were surprised (per headlines such as Business Insider’s “US Shocks Economists by Adding 2.5 Million Jobs in May as Unemployment Declines to 13.3%”),[12] it was not rocket science; telling people to shutter their businesses had eliminated sales, sacrificed jobs, and more. When the government had let people go out of their homes and back to work, some of those jobs and businesses had returned.

As the economic depression had not been caused by a systemic issue, that result was reasonably apparent. Reopenings helped the economy regain some of the jobs that had been lost and increase overall economic activity.

However, what was looming was figuring out where the economic “wall” was. At what point would that switch flipping no longer work? Whether it resulted from entrepreneurs who gave up their businesses or industries that saw more dislocation, there was a point where the regaining of jobs would slow and stop.

Congress at first wanted to try to prompt economic growth with another major stimulus bill. Or rather, “buy” some votes in an election year. If its members had genuinely wanted to help the economy, they should have gotten out of the way; giving out money for which future generations will have to pay does not substitute for allowing people to return to their lives and jobs. It also doesn’t eliminate hitting the economic “wall.”

Yet Congress decided to try to do what it did best: spend. Several times, including in May and July, proposals were put on the table, but ultimately with little movement between the House and the Senate.

The two major parties tried to work on their proposals individually. At the end of July, the *New York Times* looked at the proposals, which were incremental to the $3.2 trillion Congress had already spent so far in 2020 on coronavirus relief. The Democratic proposal, which was for an additional $3.4 trillion, allocated more than a trillion dollars to state and local aid, $436 billion to individual stimulus checks, and a whopping zero dollars to direct small business aid. You read that correctly: nada for small business.[13]

To give context to just how massive that proposal was, should it have passed, it would have been $6.6 trillion on stimulus in one calendar year alone. As noted previously, that is just shy of the entire US national debt in January 2004 ($7 trillion). That would amount to around $51,000 per household in the United States, which seems crazy, particularly knowing that a large part of the economy, including many big businesses and their employees, weren't locked down and were not in need of any emergency relief.

The Republican proposal, which still clocked in at just over $1 trillion, allocated only 20 percent of funding to small business aid. That was still $200 billion more than the Democrats had in a bill a fraction of the size—and of course had about the same allocation for other "business tax breaks" (something the Democrats had allocated only $36 billion to).

The distance between the two sides was extensive, and although both parties and the Trump administration all signaled that they were working toward a compromise, investors started to feel that their achieving one was unlikely, at least before the election.

Though the political parties remained far apart on a "stimulus" package, the economic bounce-back "wall" was getting closer into view. September's job report showed some slowing. Job gains were only 661,000 (substantially fewer than the 800,000 predicted), and although unemployment fell to 7.9 percent, the decrease was due in part to people leaving the labor force.

Day 200 of "15 Days to Slow the Spread"

October 1 marked 200 days of "15 Days to Slow the Spread."

Individual rights retained a big win, courtesy of a landmark ruling by Michigan's Supreme Court against Governor Whitmer. The *Detroit News*

reported that "the Michigan Supreme Court decided Friday that Gov. Gretchen Whitmer violated her constitutional authority by continuing to issue orders to combat COVID-19 without the approval of state lawmakers." The report said that Whitmer had overstepped her bounds and that declaring emergencies and keeping them in place without legislative input was unconstitutional.[14]

The report also unanimously ruled that another law didn't give the governor powers "after April 30, to issue or renew any executive orders related to the COVID-19 pandemic after 28 days without Legislative approval."

However, despite that small victory, people were restless. They were tired of the government playing terrorist, using COVID like the threat of a bomb to scare everyone, holding the American people hostage, and trying to force the population as a whole to alter their lives materially.

In October, job increases were stronger than expected as more businesses were allowed to reopen. Jobs increased by 638,000, and the unemployment rate dropped to 6.9 percent, both ahead of economists' expectations. Private sector job creation was even stronger—906,000 jobs—offset by government losses, including census workers.[15]

As reported by CNBC's Jeff Cox, based on the Labor Department report, those out of work because their employer closed (temporarily or permanently) was still 15.1 million people. Though down from the previous month, bringing the total payroll gains since May to around 12 million, it still meant that a lot of businesses and their employees remained impacted.

Meanwhile, as small businesses struggled to regain their footing, the biggest companies continued their dominance. Amazon reported third-quarter revenue up by 37 percent year over year to $96.1 billion, and Google's parent company, Alphabet, saw its third-quarter revenue increase by double digits (14 percent).[16]

By the market close of the day when the October jobs report was announced, four companies—Microsoft, Amazon, Alphabet (Google), and Apple—were now collectively worth almost $6.6 trillion, propelling the Nasdaq Composite up 32.5 percent for the year to date.[17] That enabled the accumulation and centralization of more power and heft among the tech giants, while the smallest businesses struggled to get themselves back on track—if they hadn't given up entirely.

Even from a stock market perspective, the small-cap indices, which represent publicly traded companies with smaller market values, struggled. On November 2, 2020, CNBC reported that for the year to date, small-cap stocks were down just a hair shy of 6 percent—a stark contrast to the soaring Nasdaq Composite.[18]

Of course, an expected fall wave of COVID case spikes was taking place, and governors were again contemplating lockdowns and continuing their power grabs, threatening the economic recovery. Despite previous orders being deemed unconstitutional, Michigan's Governor Whitmer was undeterred. She mandated that restaurants collect information on their diners, including names and phone numbers, creating huge concerns over privacy violations and liability issues for the already battered industry.[19]

In neighboring Wisconsin, the NFIB, a small business advocacy group, filed with the courts on behalf of Wisconsin small business owners, stemming from Governor Tony Evers's intention to release the names of small businesses with employees who had tested positive for COVID-19, saying that it "is not only illegal but will take a monumental toll on the financial health of small businesses in Wisconsin."[20]

The economy was furiously trying to get back to that wall where small business losses would create a breaking point—or perhaps climb over it, trading small business decentralized power and economic strength for government-led and Fed-enabled centralization of power among the largest companies.

And then all attention turned to the elections.

More Collateral Damage

Financial costs are often easier to measure, or at least benchmark. Social costs, which do eventually have both an economic impact and a huge individual impact, are also part of the collateral damage of the government's war on small business and individuals. These are vast and range from other areas of physical health, where treatment was rationed and in some cases unavailable, to the impact on mental health issues related to social isolation and the undue fear created by the government actions.

A friend recounted a story to me of an encounter in October 2020 in New York City's Central Park. He was watching a three- or four-year-old

boy hit Wiffle balls with his father. The kid was having a great time, and another young boy, about the same age, approached him excitedly. As the second boy got near the first boy, the first boy's expression went from happiness to intense fear. He started screaming that the other boy was "too close" and "needs to go away" over and over until the second boy's mother came and took him away.

Imagine the psychological toll that the government's and media's pandemic messaging and actions have taken on both boys in these incredibly critical developmental years.

It is not just the young that endured a mental toll. By September 2020, military suicides in the United States increased around 20 percent during the pandemic from the same period the previous year. The CDC reported that nearly 41 percent of adults surveyed reported struggles with mental health issues or substance abuse. Experts remain concerned about long-term mental health effects, including PTSD, in all age groups. Drug overdoses were up by double digits percentagewise as well.[21]

With regard to American children and teenagers, the reaction to the pandemic may also create a substantial drag on learning. In August, EducationWeek said that students' learning would be impacted, noting, "What does seem certain is that it will be devastating—and that the effects are likely to be long lasting."[22]

In June, McKinsey & Company estimated that students could lose three to eleven months of learning, assuming that classroom teaching didn't resume broadly until January 2021.[23]

McKinsey & Company also noted that COVID could "exacerbate existing achievement gaps" for students of color, saying that "School shutdowns could not only cause disproportionate learning losses for these students—compounding existing gaps—but also lead more of them to drop out."[24] The government's decisions do not sound as though they were consistent with the goal of protecting the most vulnerable.

Were the costs and collateral damage—financial, mental, developmental, social, spiritual, and otherwise—of completely closing large parts of the economy and people's lives justified, on their own and/or in conjunction with the health outcomes they produced?

In October, former treasury secretary Lawrence Summers and Harvard University economist David Cutler estimated the cost of the pandemic in the United States to be $16 trillion, half due to direct economic loss from

the shutdowns and the other half due to the long-term consequences of mental health, physical health, and other impairments at least partly attributable to the shutdowns.[25]

As we know, throughout history, estimates such as these are typically conservative, so that amount could well be the tip of the iceberg. The businesses that were killed may never come back, and replacing jobs lost could take years. Furthermore, why would a potential entrepreneur ever consider starting a bricks-and-mortar business again, knowing that his or her risk and livelihood are under the control and at the whim of the government?

Those costs are yet to be known. What is known is if the traditional mall dies and that land is converted, say into a warehouse, as Barclays predicts might happen, that will reduce property values an estimated 60 to 90 percent. Barclays forecast around 10,000 retail store closures for 2020.[26] As discussed in chapter 6, if the stores and amenities that make up a vital part of communities close, it can drag down everything else in the community and take years to recover.

Locking Down Again

As the year headed into its last few weeks, the situation was looking up for the haves but not so much for the have-nots.

It would seem that 2020, which saw the GDP tank to record lows, tens of millions filing for unemployment benefits, and small business closures, would have produced a challenging environment for capital raising. Astoundingly, by the close of the market on December 10, 2020, the day Airbnb went public and saw its stock more than double in its debut, 436 IPOs had been completed during the year. It was the same week that the S&P 500 and Nasdaq Composite hit fresh new all-time record highs.[27]

By the end of the year, according to StockAnalysis, 2020 had set an all-time record for initial public offerings, with around 20 percent more IPOs than the previous record in 2000 and more than double 2019’s number of offerings. That means big businesses were accessing capital at an unprecedented rate at the same time as small businesses were struggling for a lifeline.[28]

On Main Street, governors throughout the country were mandating a new round of lockdowns and business closures. Despite all the time that had passed for government to figure out and communicate better risk mitigation strategies, that route was not pursued. Instead of its switching up which businesses were in lockdown, it allowed the big companies to remain open; most had never locked down or closed at all. The same small companies that had been targeted previously were asked to shutter once again, perhaps a final death blow to many of the small businesses that had scraped to survive at that point.

In New York, restaurants pushed back, to no avail; when after the state's own contact-tracing system attributed only 1.4 percent of all COVID cases between September and the end of November to restaurants, they were targeted for lockdown again. Meanwhile, the television program *Saturday Night Live* found loopholes to tape its shows, which were somehow deemed "essential."[29]

A special report analysis from Alignable's December 2020 small business survey highlighted the disastrous situation for small business. Forty-eight percent of the small businesses surveyed said they risked failure by the end of December, and only 43 percent had confidence that they would survive through June 2021. Eighty-five percent of the small business owners said they needed relief. How could they not? What entity, let alone a small entity, could survive like this?[30]

Yet Congress continued to play games and had yet to provide appropriate compensation for the government-mandated closures. They went to war against small business and wouldn't even send in a Red Cross equivalent to triage the damage.

Small business confidence at the end of November 2020, according to a CNBC and SurveyMonkey survey, dipped to an all-time low since they had begun the survey in 2017.[31]

Concurrently, two new vaccines were getting ready for approval and distribution in the United States, which had received approval and started to roll out in a handful of other countries already. However, with the supply issues and COVID cases and deaths spiking, getting to vaccine-led herd immunity would likely not occur for many months in a best-case scenario. This was made worse by government bumbling the eventual vaccine rollout. Of course, certain members of Congress, including those in low-risk age groups, "cut the line" and got vaccinated early, going to show that

anyone who argues that the free market favors those who are wealthy or well connected is naive to think that the government doesn't favor those who are wealthy and well connected; it's just a (sometimes) different group of wealthy and well connected but with less choice and control in the case of the latter.

Congress, which has spent like a drunken sailor on all kinds of insanity for years on end, still couldn't get a "relief" bill agreed upon and passed until a few days before Christmas.

Though Congress had had more than nine months to figure out how to help those who were directly impacted by the government-mandated closures—just think, one could have conceived and birthed a human being during that time—the bill it ultimately passed made just about every mistake that had been made in the CARES Act in March. With nearly another $1 trillion in spending, there was no new means testing for direct aid—meaning that households that didn't need stimulus might receive it and those that did might not—there was still a supplement to unemployment creating a reason not to go back to work, crony interests received direct cash, and small businesses were relegated to another pass at PPP.

As the year ended, the Dow closed up 7.2 percent, the S&P 500 up 16.3 percent, and the Nasdaq Composite up an incredible 43.6 percent for 2020. Power and value were consolidated in several of the biggest companies at an unprecedented pace and with unprecedented scope.[32]

Apple's stock price increased by 81 percent for the year, giving it a market capitalization of $2.3 trillion. Amazon's stock price increased by more than 76 percent, while Tesla's increased by nearly 700 percent. As noted in the introduction to this book, seven tech companies amassed $3.4 trillion in incremental value during the year. The differential between the big businesses and many of the smallest companies by year's end wasn't a gap—it was a chasm.[33]

As the country headed into 2021, the war on small business caused many entrepreneurs to wave the white flag, all as more power was being concentrated in government and a handful of massive companies.

This is a giant neon sign for the need to save small business, individual rights, and the American Dream. To do so, we need to understand how this was enabled and what can be done to change things.

Chapter 8

Protecting the Smallest Minority

How Individual Rights and Capitalism Set the Foundation for Economic Freedom

Why would the government, whether at the local, state, or federal level, declare war on small business? As discussed, with half of the economy in the balance, wouldn't killing a substantial portion of that create a problem instead of generating an opportunity?

Not in the context of central planning. Small business represents the ultimate in free markets and individual choice and freedom. They are an impediment to control that makes it difficult for politicians to gain and exert power. The more people who are entangled with the government, the better it is for central planners and their objectives. Small businesses do not fit into that plan.

To understand the war against small business and the battle tactics of 2020—as well as the groundwork laid well before now—it is critical to understand the concept of individual rights, what it means to Americans in particular, and how and why there has been a constant government campaign to erode those rights.

The concept of individual rights is what makes the United States unique and special. It is the only country in the world that enumerates and protects the rights of the individual and limits the power of the state.

Core to the United States' founding principles, enshrined in the Constitution, is the idea that humans are born with inalienable rights. Though some Americans believe in putting the group interest over that of the individual, that stands in opposition to the Constitution. If you put the group interest first, it means that at any point in time, a man's existence, work, and other activities are at the whim of other people who have power by sheer force or numbers. As said in *A New Textbook of Americanism*, "The Constitution of the United States of America is not a document that

limits the rights of man—but a document that limits the power of society over man."[1]

Though we can acknowledge that the Founding Fathers didn't always practice what they preached, whether toward women or people of color, the principle of protecting the individual is something Americans have worked to enact and defend. We should hold this vital principle as sacred, as the United States is the unique example of this in the world.

Though you may be tempted to think that majority rule is a good one, if a majority of people agree to something, even if it is not morally right or just, that ends up being the ruling law, and that can go very wrong.

Most important, the idea of whether or not the power of society is limited is an absolute. Either society's power is limited by individual rights, or it is not. If you believe in individual rights, you also cannot say that sometimes society's power is not limited over the individual. If you put on a qualifier, then you have erased the critical principle of individual rights. Note that I am not suggesting anarchy; rights are inherently limited by other individuals' rights and the laws that enforce those rights. More simply, your rights are your rights until they infringe on another's rights (which is where you get the protection from scenarios such as not being able to slander someone else, for example). Anything else opens the door to an unstoppable erosion of your rights.

Anyone who believes in the concept of individual rights will tell you that society is merely a collection of individuals. You participate in "society" at community, local, state, national, and global levels. Imagine if you had to subvert your existence for the rights of any one of these groups? If you did, which would reign supreme? Buying into the idea of the group isn't a principle, it's a trick, and the goalposts can be moved to define the group by any means that meet the desires or impulses of those in the majority of the group.

That happened in 2020. There were no full lockdowns. Certain small businesses, their employees, and other individuals were told to give up their livelihoods for the "good of society," based on what government felt was "good." Many companies never closed and their employees had jobs, while a third of small businesses nationally were shuttered and their employees were sent home. We were never "all in this together"; there were the chosen and the not-chosen.

It is by design, not coincidence, that the most oppressive and destructive powers in history, including recent history, always begin by trying to sell the concept of the "good of society." It is an emotional ruse to rob you of being an individual and of your rights. Whether by the Chinese Communist Party or in modern Venezuela, the first step toward tyranny is convincing people that their own individual rights need to be set aside.

In 2020, many took the bait hook, line, and sinker.

Individual Rights and Capitalism

Capitalism requires the concept of individual rights to be upheld and enforced. Similarly, the only system that upholds, protects, and enforces individual rights is capitalism, which is why they are so fundamentally intertwined.

Small business is the ultimate example of capitalism. It allows anyone with an idea, regardless of their background and history, to come into the marketplace with a solution and prosper. Before 2020, that was the path for more than 30.2 million entrepreneurs and around half the US workforce.

Small business is the stepping-stone not only to innovation and the largest businesses, but for any person, anywhere to make their life better, their family members' lives better, their employees' lives better, and their customers' lives better and to increase prosperity overall.

That is, as long as the markets remain free and the game doesn't become rigged against them.

Property Rights

A subset of individual rights connected with capitalism is property rights. Though many people think of property in terms of real estate, your property includes anything tangible or intangible that you own, from your iPhone to your protectable ideas. For example, if you own a patent on a new technical innovation that enables cars to fly, that is an example of protecting your unique and valuable ideas and methodology; if you own the copyright for an article or book you have written, that is considered intellectual property

because of its intangible quality (i.e., you can't hold the method of doing something in your hand). Nonetheless, it is your property.

Protection of property is critical for people to be incentivized to invest, create, and take ownership of tangible and intangible property. If there were no protection of your property, you'd have less incentive to work hard, to create wealth, to buy a home, to keep your home well maintained, and so on. People would not take the same type of risks if the output of risk taking could be seized.

Simply put, if property rights are not protected, you own nothing.

You cannot have capitalism without individual rights. Combining the freedom to interact with the protection of property is what creates what we know as capitalism.

In 2020, government infringed on property rights as a tactic in its war against small business and individual rights. These infringements, lockdowns without due compensation, begat a huge economic fallout.

Unicorns and Fairies

If you want to live among people in a way that is not based on the whims of a government or a group of people with numbers or force, you need to have a set of basic ground rules or principles. Politics should be based on principles (I know, try not to laugh), not the other way around. When principles become based on politics, rights get ignored and power becomes concentrated into the hands of a few. Force and coercion overtake freedom and choice.

Protecting the individual makes sure that his or her inalienable rights aren't taken away. It also doesn't rely on finding benevolent leaders to ensure the system's enactment; it limits leaders and their power.

This is where the ideas of central planning fall apart.

It is nice to think that some group of people wants what is best for you and others, and so you give up your rights and allow them to make decisions on your behalf, hoping they have your best interests at heart. But human nature includes self-interest and greed. In a free market, there are two ways that human nature is regulated. First is the explicit set of regulations that don't allow for the infringement of others' rights, which limits the ability to do whatever you want, including where you don't own

specific property. The second is that actions are regulated by the desire to stay in business and make profits, as other market participants have the choice of with whom they want to transact. There is no such freedom, choice, or regulation with government. When greed and self-interest take over in the government—and due to human nature, they always will—there is no marketplace or regulator to stop them. That is why giving them so much power and control ends up with the trampling of individuals' rights.

If you believe that monopolies in markets are bad, remember that the government is the ultimate monopoly, and it has the military and IRS attached to enforce their monopoly power!

Someone recently said to me that power has always been seductive, which is a problem we continuously have to fight against, as well as resisting those who use that power via deceptive tactics to push people to trade their freedoms for the perception of security.

In 2020, this central power played out for all of us to see; the government decided what it thought was best for "us." Whose interests did it really have in mind? In December 2020, a video went viral of the owner of Pineapple Hill Saloon and Grill in Sherman Oaks, California, Angela Marsden. She had worked and spent a reported $80,000 to accommodate outdoor seating required by local officials to comply with COVID rules. Still she was forced by officials to shut down.[2]

However, a movie company had gotten a permit not only to go into production but also to set up an outdoor catering and dining location for the movie cast and crew in the same parking lot as that of the Pineapple Hill Saloon and Grill, tens of feet away from the then-shuttered restaurant's door.

Los Angeles mayor Eric Garcetti responded, "My heart goes out to Ms. Marsden and the workers at the Pineapple Hill Saloon who have to comply with state and county public health restrictions that close outdoor dining. No one likes these restrictions, but I do support them as our hospital I.C.U. beds fill to capacity and cases have increased by 500%. We must stop this virus before it kills thousands of more Angelenos."[3]

What kind of science is behind one outdoor seating venue being granted the go-ahead and the other being shuttered? None.

This is pure politics staring everyone straight in the face. The movie filming was more "essential" than the ten-year-old community small business.

Those politics were highlighted when it was reported that California governor Gavin Newsom, who had been caught flouting his own COVID rules during a dinner at the French Laundry in November 2020, was seen dining with an entertainment industry lobbyist, whose own clients were able to avoid lockdown mandates.[4]

This is what happens when central planners say they are acting “in your best interests”: it turns out to be in their own—and their cronies’—best interests.

Small Government Does Not Mean No Government or No Laws

Despite government’s shortcomings, it does have a role to play in capitalism and freedom.

Capitalism is more of an un-system than a system. It is the collection of the actions, choices, and free will of all of its participants. But it still needs rules. For individuals to have agency to participate in the “system” and make decisions, whether regarding where to work, what to invest in, what to buy or not to buy, they need to have individual rights. They must be able to make choices freely. If someone or an entity can force or coerce them to make a choice, or even control their choices, the market isn’t free. So despite people saying that capitalism has no rules, the enforcement of natural rights is critical to its existence and functioning.

A false criticism of capitalism and a critique of individual rights often come up around the concept of small government. People often conflate the desire for small government or limited government with the desire for no government or no laws.

As set forth above, that is not the case. Small or limited government means limiting the government to perform the role of creating and enforcing laws that uphold the rights of the individual. We need the government to enforce the rules of the game, as enshrined in the Constitution. There need to be laws against stealing and courts to bring those who violate others’ rights to justice. We need the police and military to safeguard our property and lives. That is welcome until those entities themselves start overstepping the bounds of individual rights. The government plays an important role, but a limited role, in capitalism.

Though we need the referees to enforce the rules of the game, where it goes awry is when they throw the game or intentionally rig it to the benefit of one team. When they choose a movie production over Pineapple Hill Saloon and Grill. When they allow big box retailers to stay open but force smaller retailers to shutter. When they give perks to special interest groups but not to small businesses. That's what has happened with central planning creep: it's far easier for government to work out "deals" with a small number of big companies that are willing and able to play ball, such as those big box retailers and movie studios.

Economic Freedom Is Freedom

Capitalism is freedom, economic freedom, and it is inextricably intertwined with your rights; the middle right in the Constitution of life, liberty, and the pursuit of happiness is liberty, aka freedom.

People often say they are just trying to do what is good for society, based on whatever happens to be their own definition of "good" and "society." This is their prerogative—when there's no force. But as soon as one is forced to do something for someone else and at someone's behest, it violates their rights. Plus, what is the greatest good for society? Who decides?

It was "good for society" for Pineapple Hill Saloon and Grill to shut down its outdoor seating, but also "good for society" for the movie production company to have outdoor dining tens of feet away. That's what happens when government decides what's "good." In theory, it's simple to tell what's good for society; in practice, it's never easy.

A crisis always provides good cover for governments to violate rights; see, for example, the Patriot Act that came out of the fear and panic that ensued after 9/11.

It should be no surprise that when 2020 came about and emergencies were declared many people would look to the government as the supreme solution provider, some of whom would not only willingly give up their rights but lose their minds when others did not do the same.

Even the United Nations, which has a laughable track record on human rights, hit the nail on the head regarding rights violations, stating in March, "we urgently remind States that any emergency responses to the

coronavirus must be proportionate, necessary and non-discriminatory."[5] The message was directed globally, but it reminded the only country founded on individual rights of what should have already been top of mind.

Governments on the federal, state, and local levels engaged in all kinds of violations of constitutional rights and liberties. These included, but were not limited to, the right to practice religion, the right to ensure that one's property isn't taken for "public use" without appropriate compensation, the ability to travel across state lines, and the ability to enforce certain contracts.

When it comes to forcing small businesses to close, a violation of property rights, many legal scholars and thinkers have reinforced the notion that eminent domain, the constitutional concept of fair compensation for taking over personal property, set forth in the Fifth Amendment, must come into play. Stephon Bagne of Clark Hill PLC wrote that when it comes to emergency powers under the Stafford Act and similar state legislation, "the acquisition of materials and facilities under this statute does not limit the government's obligation to pay just compensation."[6]

In addition to small business owners not being adequately compensated—or in some cases not compensated at all—for the partial or full closures of their businesses to support the emergency, the decisions were arguably arbitrary. Government let a PetSmart groom dog nails while a nail salon couldn't groom people's nails. Definitions of "essential" were all over the board and heavily favored larger businesses.

Many places of worship across religious groups sued local authorities for banning their gatherings over a certain size. That seemed arbitrary, as you could often find more people in a grocery store than in many houses of worship. It was further illustrated by the support many local and state government officials gave protesters throughout the summer while restricting small gatherings and businesses. If the Constitution protects both your right to protest and assemble and the right to practice religion, how are these differences being established and enforced?

According to the American Bar Association, in North Carolina, "non-resident homeowners sued local authorities after being turned away en route to their beach homes for fear they would spread COVID-19."[7]

Add those examples on top of a slew of others, from throwing citizens in jail or issuing excessive fines for violating orders to stop working to the fight over masks (which could be argued are protective of individual rights,

but I will save that for another space), and the government clearly and repeatedly not only overstepped boundaries but fully stomped upon the rights of individuals, over and over again.

While you may agree with specific directives, you must always go back to the principle and ask yourself what the line is. Because once you concede it is anything other than what the Constitution enshrines and protects, that line can be moved. Would it be okay for someone to come into your home and remove you to a facility if you were suspected of being infected with COVID or anything else? What if government wanted to implant a tracking device in you—for the good of society, of course? When you build a monster, there is no controlling it.

What began under the guise of government "helping society" and "public health" predictably became a grab for power and an exercise in coercion, force, and control, applied with arbitrary standards and using fear tactics supported by the media.

The start down the road of not fiercely protecting individual rights was the first step in the journey toward more government and toward the outcomes of 2020.

Chapter 9

America's Worst Trade Deal

Why Central Planning Is Doomed to Fail

What do you think was the worst trade deal of all time for America?

The worst trade deal the United States ever made wasn't with China. In fact, it was not with Canada, Mexico, or any other trading partner. It was a trade internal to the nation: the trading of individual rights for a bigger, centrally planned government. This has happened gradually, over very long periods of time, at every level and even between levels of government, looking past state and local responsibilities to give the federal government more heft and size.

As Americans have put more trust, responsibility, and, of course, money into government, it has become bigger and more powerful, with little oversight, transparency, or accountability.

As it has become bigger, politicians have gotten a taste of power and become hungrier for more. As is human nature, they have sought more of it, and therefore pursued policies and actions that would lead to more power and centralization and less freedom and decentralization. This is precisely where government central planning differs from small business and entrepreneurship. It's also why central planners find capitalism and small business so inconvenient for them.

The more people who are dependent upon government and the fewer entities they have to negotiate with, the more power the central planning politicians wield.

This shift toward central planning has happened at an accelerating pace, and with its growth, government has a group of people managing exponentially more money, complexities, and activities than the largest companies in the world; its recruitment process is based on popularity votes or variations thereof—the same thing we did in high school to pick our student council.

Too Big to Succeed

From the time of the country's founding as a set of individualistic principles against a tyrannical reign to the slow creep toward central planning, government has become far too big to succeed. Even if you believe that the expansion was done in part or in whole with good intentions—which I tend to believe is magical thinking, but I will go with it for this example—the government's complexity makes it inherently inefficient. It is opaque, lacks accountability, and controls far too many different areas to be effective in any one of them, let alone all of them.

In May 2018, John Dickerson published a piece in *The Atlantic* called "The Hardest Job in the World" about how the presidency has become an impossible job. He noted that so many of the current responsibilities of the presidency were not part of the position's design or creation; the framers had intentionally limited the power and stature of the role.[1]

Being the commander in chief, charged with overseeing the largest military in the world, is a big enough job that requires constant attention and would be stressful in and of itself.

In addition to the scope of the military duties, the executive branch manages more than 2 million employees with a wide array of duties ranging from "regulating air pollution to x-raying passengers before they board an airplane," Dickerson said. Add to that millions more in contract and grant workers and the fact that the position, and its management staff, turns over every four to eight years, and it is truly unbelievable, let alone doable.[2]

Dickerson also laid out the scope of the expectations for the presidency, saying:

> The president must endure the relentless scrutiny of the digital age. He must console the widow of a soldier he sent into combat one moment, and welcome a championship-winning NCAA volleyball team to the White House the next. He must set a legislative agenda for an often feckless Congress, navigating a partisan divide as wide as any in modern American history. He must live with the paradox that he is the most powerful man in the world, yet is powerless to achieve many of his goals—thwarted by Congress, the courts, or the enormous bureaucracy he sometimes only nominally controls.[3]

Dickerson also pointed out that "No one man—or woman—can possibly represent the varied, competing interests of 327 million citizens."

That's where the issue loops back. No one man or woman can. No handful of men or women can. No legislative body can. That's why the United States was set up as a representative constitutional republic. That's why the government's purpose was to protect individual rights, because when a country is spread out across thousands of miles, with a diverse population with different wants, backgrounds, experiences, and priorities, the only thing that is unifying is their rights. That was what the US government was put into place to do: protect the rights of the individual. And the further it strays from that, the more issues it creates and the less effective it becomes.

This is not just about the presidency; it is about all of central planning, including by Congress, state government, and local government. Take Congress; its members have no expertise requirements to get their jobs—only that they are popular in their home state. Yet they are in charge of allocating trillions of dollars across every industry and function you can imagine—each year! They are supposed to oversee the Federal Reserve Board of Governors. They are charged with making laws in highly technical industries such as financial services, biotechnology, and technology. Even if you believe they should be doing more than the Founders and Constitution set forth, how can you expect them to do all of these things, let alone with any prowess?

If you think they can handle any of these issues, think about how ridiculously out of touch they sound when talking about any kind of common technology. That's how they sound on every issue to people who actually know what they're talking about.

In 2019, in a scene that could have come right out of a Mel Brooks comedy, Congresswoman Maxine Waters grilled the heads of the largest banks in the country about the size and scope of student loans. You may recall that Waters chaired the House Financial Services Committee, which oversees the entire financial services sector.

"What are you guys doing to help us with this student loan debt? Who would like to answer first? Mr. Moynihan, big bank," she asked the CEO of Bank of America, Brian Moynihan, who replied, "We stopped making student loans in 2007 or so."

She asked the same of the head of Citigroup, who responded that it had exited the business in 2009.

Finally, Congresswoman Waters got to Jamie Dimon, the head of JPMorgan Chase, who responded more explicitly, to either end or underscore the embarrassment. He replied, "When the government took over student lending in 2010 or so, we stopped doing all student lending."

Let's bring it to the bottom line: the head of the committee that oversees financial services did not know that the government itself had pushed the major banks out of student lending and had taken it over in large part nearly a decade prior.

Diseconomies of Scale

Economies of scale is a business concept that as a business gets larger, it becomes more productive, and its output or production becomes more efficient and/or less costly. Think, for example, of a small-batch ice cream manufacturer. It probably pays more for ingredients and has less money to invest in equipment. So it produces fewer ice cream pints each hour with a higher cost of goods than a mass producer of ice cream that obtains deals to buy ingredients in bulk and has state-of-the-art equipment that churns out—pun intended—more ice cream pints per hour.

Also, as you have scale in a business, that business can spread out other costs over a bigger sales base. With fewer ongoing fixed costs, this is how technology firms, for example, end up becoming so valuable.

However, after a certain point, a business can no longer derive benefits by increasing its output or production. Costs start to rise, and inefficiencies occur. In economics, this is referred to as diseconomies of scale. This is typically explained by economists noting that as organizations get to a certain size, individual workers don't always have the same scrutiny (good or bad) vis-à-vis decision makers, and so they don't work as efficiently. Also, as companies become larger, there are more layers of decision makers, approvals, rules, opacity, and other bureaucracy. This adds to costs and decreases efficiency.

Does that sound familiar?

This underscores why there is a life cycle to businesses and why almost three-quarters of the existing Dow Jones 30 composite stocks have been added since 1991. In fact, fourteen have been added since 2000 and only one stock remains from prior to 1976. It is also illustrated by the fact that

those companies that get very big and diversified have a hard time managing and being effective over time.[4]

In government, there are few efficiencies from scale to begin with, as they are mostly not producing a product. Though government has few economies of scale, it does have the problems that come with diseconomies of scale. Government becomes bloated in size, scale, and scope.

The bigger the government, whether that be in scope of functions, amount of spending, or otherwise, the less efficient it becomes. The complexity creates opacity, and it is hard to see where money is spent and measure the outcomes of such spending. Even if you can follow the money and outcomes on a small scale, the government is doing too many things to keep track of and has little accountability for doing them poorly or even allowing fraud. Though its programs may be labeled as progressive, their outcomes are regressive.

Additionally, the more that goes to the federal government as opposed to state and local governments, the further removed you are from the decision making and ability to keep tabs on government. In capitalism, the market works because the interested parties are actively engaged with the payments and outcomes. The government purposely complicates that intention and related outcomes.

How can something so disorganized and disparate be "power hungry"? First, it's made up of people, and seeking power is human nature. Second, think of it as a blob slowly spreading in every direction. It doesn't always need someone directing it to grow and take over. It just does if no one stops it.

Bloating, at Scale

Often the government, including Congress, is criticized for doing nothing. That isn't exactly accurate; it may seem that way because it doesn't do things well or effectively or things that are seemingly important, but it is busy. In fact, it is too busy, as we have traded the protection of our rights for the government being our babysitter, benevolent benefactor, and fairy godmother.

Looking at laws, I would love to tell you how many laws there are in the United States, but nobody has produced accurate, sourceable data

because the laws are virtually impossible to count. You would think there would be some economies of scale to lawmaking—as more are passed, fewer are needed—but that has not happened. As the members of Congress believe that their job is to create laws, lots of laws are passed, very few are repealed, and the outcome is a hodgepodge of far too many rules and regulations.

Dave Kowal of Kowal Communications said on his blog, "When federal laws were first codified in 1927, they fit into a single volume. By the 1980s, there were 50 volumes of more than 23,000 pages. And today? Online sources say that no one knows. The Internal Revenue Code alone, first codified in 1874, contains more than 3.4 million words and, if printed 60 lines to the page, is more than 7,500 pages long."[5]

The report "Government Unchecked," from the Center for Judicial Engagement, notes that Congress passed 15,817 laws from 1954 to 2002. The Supreme Court struck down 103—or just two-thirds of 1 percent of those. Plus, the federal government adopted 21,462 regulations from 1986 to 2006. The Court struck down 121—or about a half of a percent.[6]

When it comes to crime, the American Bar Association's Task Force on Federalization of Criminal Law stated, "So large is the present body of federal criminal law that there is no conveniently accessible, complete list of federal crimes." Best guesses from various sources put the estimated number close to 4,500.[7]

Building the Spending Monster

In addition to the laws and generally unruly size of the government, the government's spending has also continually increased, exploding in recent times. Much of that has to do with morphing from a protector of individual rights to a redistributor of money and a benefactor of crony interests.

According to *Welfare, the Family, and Reproductive Behavior: Research Perspectives*, public assistance morphed from the responsibilities of local areas (townships, counties, etc.) with states "becoming more and more involved over the last half of the nineteenth and the early twentieth century."[8]

The federal government did not get involved until the "New Deal programs of the 1930s established a precedent for federal responsibility in

this area. Even so, such programs remained relatively small in the immediate decades after the 1930s, with only small numbers of recipients and small costs."[9]

Once you create a monster, it becomes impossible to control. And so we Frankensteined the government.

Spending on entitlements and other non-rights-protecting initiatives blew up from the 1960s onward, never reaching economies of scale. For example, on the jobs front, according to the Office of Management and Budget, the federal government has forty-seven different employment and training programs managed by fifteen disparate government agencies. Their spending in 2019 alone was $18.9 billion. However, employment ebbs and flows more based on fiscal policy and the government getting out of the way of businesses, which create jobs, and not meaningfully as a result of any of these programs.[10]

In his book, *Punting Poverty: Breaking the Chains of Welfare*, Damon Dunn explained that there are so many different programs that focus on poverty, it is hard even to know the count. He said:

> The Congressional Research Service estimates that there are 102 separate federal programs. . . . Heritage Foundation estimates cover 93 different programs.
>
> . . . Federal anti-poverty efforts list 104 programs for economic, community, and regional development based on the current Catalog of Federal Domestic Assistance. A search for training programs brings up 599 different ones. While not all are broadly available . . . these numbers illustrate how a basic concept—the need to help the poor out of poverty, exploded into hundreds of bureaucratic and often competing divisions.[11]

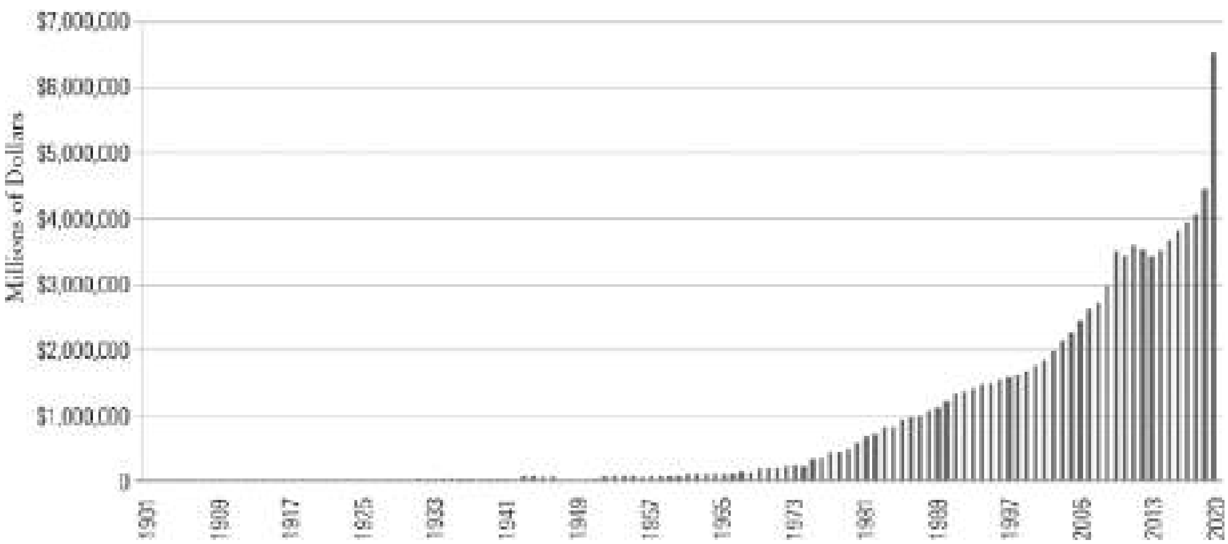
Regardless of the program, there are very few changes resulting in the betterment of people's positions and outcomes. It is not that there is too little money or effort going into poverty; it is purely centrally planned government failure. That's the system that has failed, not the capitalistic un-system that has lifted many others out of poverty worldwide.

It seems as if government is more incentivized to keep people on these programs, thus keeping their power base, than to structure effective programs.[12]

Even the way government names and accounts for spending is backward vis-à-vis what government was set up to do. When you think of mandatory spending, you might think of things such as the military to protect your security and your rights, but that's called "discretionary" spending. What is called "mandatory" spending includes things that have

nothing to do with enforcement of rights, such as entitlements like Social Security and Medicare that redistribute funds, not something set forth in the Constitution and not consistent with the protection of rights as the government's primary or sole function.

Federal Government Spending By Year FY 1901–2020; ($ in Millions)



Source: "Historical Tables," Office of Management and Budget, The White House, https://www.whitehouse.gov/omb/historical-tables/; "Fiscal Year 2020 Budget Summary Through September 2020," Bureau of the Fiscal Service, US Department of the Treasury, https://fiscal.treasury.gov/fçes/reports-statements/mts/budget-summary-with-adjusted-differences-report-september-2020.pdf.

Spending has exploded over time. At the time of writing, federal debt (aka the amount owed as a result of cumulative federal government spending in excess of money—primarily taxes—taken in) was more than $27 trillion.

In 2019, US federal government spending increased to a record of more than $4.4 trillion, while in 2020, with the stimulus plans, it reached approximately $6.6 trillion.

The increase has proliferated in the past several decades. In 1981, the federal government spent $678 billion. By 1991, that was more than $1.3 trillion. A decade later, that was $1.9 trillion. In 2011, on the back side of the financial crisis, spending had exploded to $3.6 trillion, and government

added almost another trillion in the last decade (before the COVID stimulus).

The explosion in spending is not justified by population growth. If you look back at the population change, it had grown only 15 percent or so since 2001, while spending increased by nearly 140 percent (pre-COVID). Now the US population's makeup is trending older, so that adds additional costs when government becomes involved in entitlements.

The State of the States

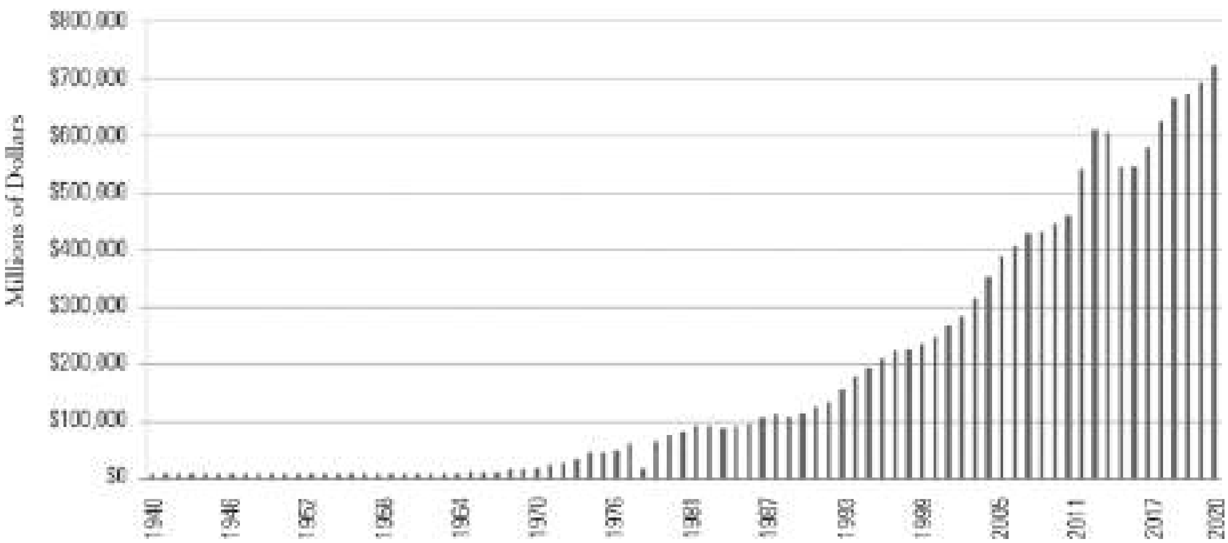
As individuals have given up their rights to the government at all levels, the states have likewise given up power to the federal government, but that doesn't make the states idle in their endeavors. At the state level, the "Government Unchecked" report cited previously noted that during the same period (1954 to 2002), state legislatures passed a whopping 1,006,649 laws![13]

Moreover, as state budgets have exploded, there has been a convoluted, cumbersome flow of money from individuals to the federal government back to the states in many forms. Think about how inefficient, not to mention weird, that is. Instead of paying for government at the local level directly, your tax dollars are sent to the federal government. Then Congress plays its games to figure out how much your state of residence gets back, which works out well for some states and poorly for others.

The federal government is involved in all kinds of things at the state level from a budget standpoint, from job training to health care to education. The funding for such endeavors exploded from $154.5 billion in 1991 to $318.5 billion in 2001 to nearly three-quarters of a trillion dollars in 2019. With the CARES Act aid, 2020 reached new records as well.

According to a May 2019 Congressional Research Service report, "Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues," and consistent with other research, the federal government, on average, accounts for about one-third of total state government funding but also more than half of state funding for health care and public assistance programs.[14]

Federal Outlays to State and Local Governments FY 1940–2019; ($ in Millions)



Source: "Contents of the Historical Tables," Table 12.1, The White House, https://www.whitehouse.gov/wp-content/uploads/2019/03/hist-fy2020.pdf.

What is also staggering at the state level is the extent to which some states subsidize others. A 2017 study by the Rockefeller Institute of Government analyzed how much residents of each state pay to the federal government compared with what they get back in terms of grants. Though states such as Virginia (coincidentally, perhaps, home to many people who work for the federal government, but probably not, as Maryland was also in the top ten recipients) received $10,301 per resident and Kentucky received $9,145 per resident, other states were at a substantial deficit. Illinois received $364 per resident less than was paid in, New York's deficit was $1,792 per resident, New Jersey's deficit was $2,368 per resident, and Connecticut's was a colossal $4,000 per resident. In total, New York's deficit was $35.6 billion in 2017, and New Jersey's was $21.3 billion, meaning that those states' taxpayers subsidized other states by their money being funneled through the federal government.[15]

This system is not what was envisioned in terms of a republic focused on preserving individual rights. It has the centralization of power and lacks the freedom Benjamin Franklin and his counterparts warned about hundreds of years ago.

Even if you buy into the notion the government should be involved in some of these things, based on its size, scope, and outcomes, you can tell they are not done well. It's impossible to do so at that size and especially when you remove the free market tenets and replace them with a behemoth central planning structure.

This has been demonstrated more than just anecdotally. Ruchir Sharma, chief global strategist at Morgan Stanley Investment Management, wrote:

> The problem is that growing government involvement in the economy typically leads to lower productivity and weaker growth. A 2011 European Central Bank working paper found a "significant negative effect" of bigger government on per capita GDP growth in a set of 108 countries over the previous four decades. A recent report from BCA Research found a similar link in 28 major developed economies, including the U.S., over the last two decades.[16]

The scary reality is that if you define "democratic socialism" by how much of the economy the government provides or controls, "democratic socialism" is already here. It is estimated that, after backing out intergovernment transfers, such as between the federal government and the states, the government at all levels in the United States spends between $7.3 trillion and $8.2 trillion. With approximately 128.6 million households in the country, the government, in total, spends somewhere between $56,765 and $63,763 per household. In 2019, the median household income was $61,937. So the government is spending the equivalent of the full median household income per household every year. The Trojan horse of "democratic socialism" has been pushed right into Washington, DC, as well as every state of the union.[17]

We, the People

How have we, the people, allowed this to happen?

In July 1775, Founding Father John Adams wrote in a letter to his wife, Abigail, several lines that perfectly described the battle between emotion and reason:

> Your Description of the Distresses of the worthy Inhabitants of Boston, and the other Sea Port Towns, is enough to melt an Heart of stone. Our Consolation must be this, my dear, that Cities may be rebuilt, and a People reduced to Poverty, may acquire fresh Property: But a Constitution of Government once changed from Freedom, can never be restored. Liberty once lost is lost forever. When the People once surrender their share in the Legislature, and their Right of

> defending the Limitations upon the Government, and of resisting every Encroachment upon them, they can never regain it.[18]

That's the issue. Many other entities can solve problems; communities and charities filled voids before big government existed in the United States. Free markets are always an option. We each can solve many of our own issues if we are not lazy. But turning over freedoms to government is a fool's errand. And since it has been done so often for so long it will take a lot of fighting and pushback to undo the damage that has been done.

The government is supposed to protect individual rights, not guarantee individual outcomes.

2020: Trading Much for Little

With the systematic and continued creep of government and the simultaneous weakening of individual rights, it is not a surprise that many people looked to government entities to have solutions and execute them vis-à-vis the coronavirus pandemic, nor that the government used the crisis as cover to ignore rights and make decisions in a centrally planned fashion.

In a country as big and diverse as the United States, and as the country is a republic, this is an arena in which some general guidance should have immediately led to decentralized action. However, the states became too comfortable with looking to the federal government while the president was trying to empower the states, which produced a gap in the timing of decisions. There was also a lot of passing the buck, finger-pointing, and lack of leadership.

Almost none of that was focused on empowering Americans to assess their own risk properly and take action. That was borne out of the decades of a progressive push to look to government instead of to personal accountability, which turned into a catalyst for individuals to follow the government like sheep to the economic slaughter and allow it to topple the economy at any and all costs. Shut down the economy? Sure, no problem. Spend like drunken sailors, funded with debt? As long as I get my stimulus check, why should I care? Let the Federal Reserve manipulate the markets, suppress interest rates, and bloat its balance sheet? Man, I don't even know what that means.

As Britt Raybould, a former state representative in Idaho, told me after her firsthand experience with government, “People are too willing to overlook all of the bad in the system so that they don’t have to forgo the small benefits that they receive.”[19] Sadly, this is the case even if the small benefits are greatly outweighed by the costs incurred by letting the system stay in the status quo.

Financially, the implications of turning to government have become disastrous. Based on estimates, it could take half a decade or longer to recover in parts of the economy; that is, if the country can get off the spending train. Otherwise, the United States may never recover.

As Ruchir Sharma wrote in “The Rescues Ruining Capitalism”:

> The world economy went into this pandemic vulnerable to another financial crisis precisely because it had already become so fragile, so heavily dependent on constant government help. Governments have offered increasingly easy credit and generous bailouts not only to soften the impact of every crisis since the 1980s but also to try to boost growth during the good times. . . .
>
> The idea of government as the balm for all crises is appealing in the short term, but it ignores the unintended consequences.[20]

This leads to a game of groups and businesses banding together to lobby for benefits, maneuver for special treatment, and give up power to central planners in return for the game being tilted in their direction. It gives nobody a fair chance and only means more government, which enables more lobbying, begging, and maneuvering in a vicious cycle.

That enabled government in 2020 to send out helicopter cash, much of which went to those who weren’t in need or, in the case of big businesses, saved companies that were already dying before the pandemic, without doing the basic work that would have preserved the economy.

That led to more small business closures, more zombie companies staying alive, and more government spending than the world has ever seen.

During the Great Recession, the United States saw the largest deficit in history in fiscal year 2009: government intervention led to deficit spending of 9.8 percent of that year’s GDP. In FY 2020, total spending reached $6.6 trillion, with deficit spending of almost 14.5 percent of the prior year’s GDP. Government accelerated the economic crisis, intervened in the crisis, and spent at historical levels, generating a $3.1 trillion deficit.[21]

That debt is a trade, burdening young people and their future ability to prosper and enriching big, connected cronies at the expense of smaller entities and individuals. But it is just one piece of the awful trade. Just

because government isn't openly nationalizing industries, it doesn't mean it isn't slowly taking control of every industry. It's crushing small businesses and moving their employees to big businesses or onto the government dole, both outcomes that help increase the size, scope, and power of central planners.

As Americans have sold out to government and traded their individual rights for more central planning, the country has begun to look less like the United States of America and more like China.

Chapter 10

Losing the Branding on Capitalism

How a War of Words Led to Weakened Individual Rights and Centralized Power

In the long war against small business, one of the biggest attacks has come in the language around business and capitalism, creating intentional misunderstandings, bad feelings, and a full-out campaign against the decentralization that stands in the way of more government power.

A bomb was dropped in this war on July 13, 2012, by then president Barack Obama, who said in a famous speech, “If you were successful, somebody along the line gave you some help. There was a great teacher somewhere in your life. Somebody helped to create this unbelievable American system that we have that allowed you to thrive. Somebody invested in roads and bridges. If you’ve got a business—you didn’t build that. Somebody else made that happen.”[1]

Aside from the fact that every taxpaying American pays for education, roads, and other services and not everyone builds a business, aside from the fact that things such as roads are part of the government-mandated protection of property rights, and aside from the fact that all of those things can be funded privately (and probably more efficiently) outside of government, imagine telling a small business owner who invested his or her life’s savings, took on debt, worked the equivalent of two full-time jobs a week, and had the stress of his and others’ livelihoods in the balance, that the government did more to make that happen than he or she did.

And with that, the leader of the country that is supposed to be synonymous with capitalism dealt capitalism and small business another substantial and unfair blow.

That sentiment gets absorbed into all kinds of rhetoric. When small businesses were largely damaged during the 2020 rioting, as discussed in chapter 6, those perpetrating and backing the looting made claims that it

wasn't violence, or that it didn't matter because the businesses had insurance or more available funds (which is not only still immoral but in many cases for small businesses untrue).

For example, after coordinated August lootings that targeted various stores in Chicago's downtown and other shopping districts and vandalized restaurants, including many small businesses, Ariel Atkins, a BLM organizer in Chicago, told Chicago's WBEZ, "A lot of people are really attacking our pages. They're like, 'Oh, you support the looters.' And yeah, we do, 100%. That's reparations," further saying, "The whole idea of criminality is based on racism anyway."

She continued, "The fact that anybody gives a s*** about these businesses over what is happening in this city right now and the pain that people are in and the suffering that is taking place, I don't care."[2]

Envy politics ignores the reality that, other than the critical principle of equality in the eyes of the law, "fairness" in a free society is an emotional concept, not a rational one. If one person has more than another, regardless of the choices he or she made to secure that outcome, the far Left will argue that it isn't "fair" or "just" or that "you didn't build that." And as that happens, the concept of what capitalism is and what it stands for takes a hit.

Good System, Bad Branding

For all of its great successes, capitalism has found itself under attack largely because it has become the victim of consistently inaccurate branding.

Despite unparalleled wealth being created in the countries that have historically embraced elements of capitalism fairly well (such as the United States), wealth evaporating in those that have abandoned it (such as Venezuela), and incredible, positive changes occurring in those that have moved further toward it (such as China and India), capitalism itself has been widely and increasingly criticized.

Politicians, pundits, and even billionaires who have succeeded because of capitalism are putting aside concrete realities, including the fact that as millionaires and billionaires have been minted, their innovations have improved people's lives worldwide both directly and indirectly. Simultaneously, we have seen extreme poverty drop from half of the world's population in the 1970s to less than 10 percent today.

The criticisms of capitalism are vast. Capitalism is broken or flawed, we hear. Others complain that wealth creation is unequal. Some say that capitalists are “greedy” and the wealthy don’t pay their “fair share”—or worse, that they “exploit” workers. People today don’t have a fair shot at getting ahead!

These criticisms are usually empirically untrue or entirely misguided, so what is going on? In almost every scenario, people are blaming capitalism for problems created by central planning.

Language Matters

When people don’t understand capitalism, they tend to be less willing to embrace ideas that are built upon it and more willing to embrace government-driven policies.

Though “free markets” sounds like something good, “capitalism” can sound as though someone is negatively capitalizing on something. That easily gets twisted by both bad actors and the generally misinformed into the concept of capitalizing at someone else’s expense or even exploitation, both of which have no part in true free market capitalism.

The bait and switch on words continues. Phrases and concepts such as “greed” and “seeking profits” have turned into rallying points for a tribal war, provoking the masses to want to “eat the rich.” Again, this is intentional. The ideas that stand against capitalism are inferior to it, so trying to paint capitalism as something that it isn’t and creating misdirection and confusion are all part of a carefully crafted strategy.

If you ask people if they support small business, they will likely say “yes.” However, if you ask them if they support what small businesses engage in—capitalism—there has been an increasing trend toward saying “no.” A 2019 study conducted by YouGov found that 36% of millennials viewed communism favorably, and 43% of millennials thought that *The Communist Manifesto* better “guarantees freedom and equality” than the US Declaration of Independence or weren’t sure.[3]

The YouGov poll also found that only about half of millennial and Gen Z respondents had a very or somewhat favorable view of capitalism, and 70 percent of millennials said they were extremely or somewhat likely to vote

for a socialist. And a Gallup poll found that “nearly 50% of millennial and Gen Z respondents held a positive view of socialism.”[4]

This bleeds into popular culture. If you have ever read *Teen Vogue*, a media site that reads more like communist propaganda than anything adjacent to fashion and lifestyle, you have undoubtedly stumbled onto one of its many anticapitalistic gems. They send out tweets like “Can’t #endpoverty without ending capitalism!,”[5] ignoring the fact that capitalism has lifted more people out of poverty than any other force in the world, that it has shrunk extreme poverty from half the world in the 1970s to less than 10 percent today, and that socialism has failed—and caused misery, death, and famine—everywhere it has been tried. But don’t let facts get in the way of a sassy tweet! Absurdly, its propaganda is displayed online next to advertisements for Walmart and Amazon, as well as a “style” section featuring articles such as “How to Have the Perfect Night In with These 7 Outfits” and “Ariana Grande Is Releasing a ‘R.E.M.’ Perfume. It’ll Be Her Sixth.”[6]

Cognitive dissonance seems to be a rampant issue. It’s like the rapper Cardi B, known for a successful career that allows her to style herself luxuriously with matching Hermès Birkin bags worth thousands of dollars to her outfits. She even gave her husband $500,000 stacked inside a refrigerator for his birthday in 2019! However, despite being the poster child for capitalism and even posting online in 2018 a note to the government, “Uncle Sam, I want to know what you’re doing with my f—ing tax money,” she ultimately vocally supported Bernie Sanders and his socialist big-government policies.[7]

The disconnection and lack of understanding of financial and economic principles ultimately empower young people to believe and promote garbage that is further removed from reality. Another *Teen Vogue* piece lamented having to work, saying, “Selling your labor in a capitalist marketplace so you don’t end up on the street is horrible and unnatural, and we shouldn’t have to exist this way.”[8] It’s hard to know what the writer expects should happen or believes has happened since the beginning of time in some shape or form; perhaps that goods, services, and housing should be delivered by magic fairies while you lounge around doing yoga?

When this kind of drivel appears in *Teen Vogue*, young people start to believe that it must be fashionable to think this way.

Pop culture has, for years, been creating the delusion that productivity and income shouldn't be connected. It's why you see more and more proposals such as for universal basic income (UBI) and calls for "free" everything. It is also why when the government closed so many businesses, there was a whole group of people who didn't bat an eye or question how that could possibly work; they just demanded to be well paid to stay home.

It should also be noted that this is an attitude that isn't typically seen among immigrants, more among those raised in the United States who have no context of what bad policies—or reality around the world—are like. It should be no surprise to find that around 43 percent of all Fortune 500 companies were founded by first- or second-generation immigrants to the United States or that immigrants overall are quite successful in pursuing the American Dream.[9]

Imagine escaping from a socialist regime to come to America and pursue freedom and opportunity, only to discover a bunch of naive Americans who want to push the country further toward central planning, force, and control!

What Is Capitalism?

Before I can talk through what has happened due to losing the branding around capitalism, it is crucial to define what capitalism is and isn't. At its core, capitalism is a method of distributing scarce resources based on the free choice, interactions, and free will of millions of individuals. It is contrasted to centrally planned economies, which means that the government takes control of the means of production and distribution of those same resources and/or a small number of people make the decisions regarding what's bought, what's sold, how it is distributed, who works where, and more on behalf of the masses.

When you think about resource allocation, political systems, and the interrelationships between them, I want you to think of a spectrum. On one side of the spectrum are individual freedom and choice. As you move along the spectrum with less freedom and choice, you move toward force and control at the other end.

The individual freedom and choice side is free market capitalism. When you think of capitalism, you should think of liberty.

As I noted above, capitalism is shorthand for free market capitalism and analogous to free markets. So you can use the terms interchangeably and think of them as the same.

Capitalism is an un-system rooted in freedom—a collection of individual actions made of free will. There is no central, coordinated design.

Under capitalism, every participant chooses how to participate, how much to participate, and how often to participate, in terms of production, labor, risk taking, or consumption. As millions or billions of participants do this, resources are allocated toward their best and most efficient uses. If there is a lack of demand for one good or service and a ton of demand for another, more resources move toward the item in demand.

The understanding of capitalism and free markets has been blurred by lack of financial literacy, political power grabs, and envy politics, causing people who in actuality embrace capitalism via their actions and benefit from it to dismiss it, to potentially dangerous effects.

Capitalism versus socialism and other government planning is truly a battle of the ideals of choice and freedom versus force and control.

It is also a battle of growth versus allocation. Capitalism focuses on continually “growing the pie” so that no matter what your slice is, how large it can become is never capped, and your piece is never dependent on someone else giving up some of theirs. Government and systems that focus on central planning are concerned with allocating one fixed pie.

Capitalism is also, at its core, a battle of human nature. Most people who hate capitalism don’t hate the “system” of free exchange; they hate human nature. However, capitalism leverages and harnesses the power of human nature while socialism and other central planning pretend human nature doesn’t exist.

Free Markets and Individual Rights

Though capitalism means freedom and choice, it doesn't mean that there is perfect information available at every moment in time, that every person or entity participating in the market acts rationally, or that human beings are not sometimes bad actors. However, over time, capitalism self-corrects based on individuals' choices in the market based on their own free will. It allows people to do what they want and desire—and reap the outcomes, good, bad, or otherwise, of those decisions. It doesn't assume that any group of people knows better than a given individual what will work for him or her and doesn't force the individual to comply with someone else's mandates.

A capitalist economy doesn't prevent a company at a given point in time from making goods or providing services that nobody wants to buy. However, the market corrects for that: a company won't be in business long if it doesn't adjust to demand. In a centrally planned economy, a country can end up with *all* the companies making goods or providing services that no one wants to buy, based on the decisions and directives of one or a few powerful people! (Such as the government stockpile of 1.4 billion pounds of cheese, to be discussed in the next chapter.)

Though there are different degrees of freedom in markets worldwide and even in different industries, the reality is that there is no pure capitalistic "system" in broad existence (i.e., countrywide) today. Yet we pursue the ideals of the free markets and capitalism not only because they are the founding ideals that are uniquely American but also because we know that the closer we get to capitalism and free markets and their basic tenets, such as transparency and accountability, the better off we will be. The further away we get from them, the worse off we will be. This has been shown true over substantial data sets and time periods, at scale. Of course, a small cooperative may work for some time, but as a means of organizing an entire economy at scale, individual freedom and choice always win.

As stated above, in central planning, a small group of people believe in taking the power of decision making away from the individual and, instead, letting the powerful and connected in the government make decisions for millions of people. Whether they are put into those positions of power by a popular vote or by coup, it doesn't matter—they still take the freedom and

choice away from individuals and centralize it. Maybe those government actors narcissistically believe they know better or perhaps they just use socialism as an excuse to try to sell their power grab, but in either scenario, history has proven they are wrong. There has been nowhere in history, regardless of time or geographic location, where, at scale, a handful of people making decisions led to better, more efficient allocations of resources and general outcomes over reasonable time periods than putting that freedom into the hands of individuals.

Though not all central planning is pure socialism (in terms of owning the means of production), central planning again creates force and shifts control for decision making and leads to the government choosing winners and losers.

Wherever and whenever socialism has been tried, it has failed. Though it has cemented power and corruption for its leaders, it has ended in poverty, hunger, and death for everyone else. As the economics professor and scholar with AEI Mark J. Perry said in his 1995 article "Why Socialism Failed," "Socialism is the Big Lie of the Twentieth century. While it promised prosperity, equality, and security, it delivered poverty, misery, and tyranny. Equality was achieved only in the sense that everyone was equal in his or her misery."[10]

Although progressives try to dress up socialism by sticking "democratic" in front of it, force and control that you vote for is putting lipstick on a pig.

Unfortunately, when people see a problem they believe needs to be solved, they rarely ask, "Does this problem need widespread solving, outside of each individual tackling the issue?" and if the answer is yes, "Is government the only solution, or is there a better one?"

Do you think that people who are the smartest, most thoughtful, most benevolent, and any other qualities that make up the "best" people are politicians in government positions? Do you expect that you will always have the best people in government? Congress's approval rating hasn't been over 30 percent in more than a decade, and in 2019, the Pew Research Center found that only 17 percent of Americans trusted government always or most of the time.[11] From the political turnover in the United Kingdom to the utter decimation of Venezuela as a leading economic force, you can look to other countries to see that it's not just an American issue. So, if you don't have the best people, why give them more power and control? If you design

a system that works solely if you find the best people to run it consistently, the system is flawed. The ultimate system should work regardless of who is in government.

That's precisely why understanding capitalism and its roots is essential. If, at a minimum, you do believe that some central planning is necessary for whatever reasons, at least recognizing the issues and limitations should help you to think through the downsides and work to minimize them. It is this level of strategic thought that is absent from the discourse.

There Are No "Versions" of Capitalism

It has become en vogue for those who want to push a social or political agenda to start talking about capitalism in stages. We are in late-stage capitalism, they say; our current version of capitalism is flawed, or capitalism today is broken. However, there aren't versions or stages of capitalism. Capitalism is something very concrete. As noted above, regardless of where you live, even in the United States, you don't live in a pure capitalist system, but you should aspire to move toward one. Any perceived failures of economic organization don't come from free trade; they come from government interference, intervention, and/or cronyism, none of which are features of capitalism.

When we conflate this with capitalism instead of calling it what it is, we don't solve any problems and we get people hating what works due to confusion. We need to move more toward capitalism, not toward the government power and interference that causes these problems.

The Branding of Inequality

Concurrent with losing the branding on capitalism is the rise of branding around flawed concepts. For example, when the media, politicians, or progressive activists push the idea of inequality, they try to get you to buy into an emotional framing that defies common sense.

If it is automatically immoral for someone to have ten times as much money as you, why isn't it immoral for you to have ten times as much as someone else? The average annual income in Indonesia is approximately

US $4,050 per year, or about 6.2 percent of the average annual income in the United States. The median net worth in Venezuela is zero (notably, before moving to central planning, the country's GDP in the mid–twentieth century was fourth in the world). Are you planning to donate 90-plus percent of your money to Indonesians or Venezuelans to make things more equal? Why should that obligation (or lack thereof) change simply because you live within the same landmass as someone else?[12]

When you use a comparative measurement such as "equalness," you are saying that a difference between two things is the relevant measure that needs to be paid attention to: disparity is bad, sameness is good.

Though the comparison of equality is a very relevant measure in terms of the treatment of people under the law and for the purposes of each of our rights, it is not for wealth or income. This is, among other reasons, because you have different inputs, and different inputs will get you different outputs—by choice. It is also not a relevant measure where you have the freedom and the infinite ability to create value and wealth, and where you are not trying to divide up a static amount (such as under a dictatorship, for example).

Let's dig into the notion of financial equality as a measurement. People in a certain area could all be rich but have wildly different amounts of wealth (millionaires versus billionaires). Or they could all be equal in wealth yet all in poverty (everyone has no retained wealth). Indeed, the highly unequal first scenario is preferable to the latter scenario, in which everyone has nothing yet there is no inequality.

Another example: people who make a million dollars a year and spend it all can have no net worth, while those who make the same amount, save, and invest their income could become worth tens of millions over several decades. Those differing behaviors and choices produce a ton of inequality—no net worth versus multimillionaire status—among people who make the same seven-figure income.

When you focus on inequality in the context of financial metrics, it not only makes little sense but takes the focus away from the problem. If you believe that poverty is a problem, it's something worth discussing and addressing, but it is not a problem related to not being equal in a free society. "Equal in poverty" is not an objective to pursue.

This is relevant to the branding around both capitalism and equality because inequality is a feature, not a bug, of capitalism. When people

interact freely in a system, they will have different values and objectives. This will lead to different inputs and ultimately different outputs. Depending on your level of education, how much you devoted yourself to earning good grades in school, the type of work you choose, the hours you work, where you live, how you spend, how you invest, how much risk you take on in your investments, whether you produce a vast life-changing innovation or prefer to spend more time with your family—all of these decisions and more will produce different outcomes. Moreover, money is only one form of currency and one store of value; people value health, time, relationships, hobbies, and other factors that all contribute to one's quality of life and ultimately their income and then wealth in some way. However, we never talk about or measure those nonfinancial metrics, probably because they are difficult to quantify because they lack the homogeneity of money.

Because many people do not grasp the aforementioned concept, inequality of financial measures becomes exploited. Though inequality itself isn't a problem, it becomes a problem when translated into envy. Inequality porn is a calculated ruse used by media, politicians, and others to create class resentment and leverage envy politics for their own power, as they work to shift the focus from poverty to envy-based class warfare.

So the branding of inequality inappropriately ends up impacting the branding of capitalism, which ends up hurting the small businesses that embody capitalism.

Freedom Is Choice

It is also important to clarify another element of capitalism and its branding. We often equate capitalism with money instead of freedom and choice. For those who don't want to chase financially oriented goals, having free choice is also the American Dream. Whether you want to be an engineer or a dance teacher, it's your choice. If you choose to pursue a different set of wants than purely financial success, you are better off than in other systems that don't afford you that choice.

The choices are all still available to anyone. You can choose to work in a job or profession you love and are passionate about, live in the moment or reside in the big city and perhaps not have much in savings, knowing it is

your freedom to make those choices that align with your priorities. However, if your goals are different, you can't lament that you aren't living the dream based on your own decisions and actions.

The opportunity to pursue freedom of choice and enjoy your own standard of success is why people from every pocket of the world clamor to come to America and participate in the American Dream.

The American Dream is alive and well; however, it's not a fairy tale, and as one of my Twitter followers pointed out, it's not a guarantee, either. Yet it still presents the best opportunity in the world for those who embrace it.

If you want to have a better financial life, you engage in delayed gratification. You work extra hours early in life. You don't take on debts unless they will help you earn more. You get a job that will lead to earning more money. This may mean doing things you don't want to do, but that's life and that's the same sacrifice that every previous generation had to make. However, in a capitalist system, you could also work part-time in the arts, live frugally with a bunch of roommates, and spend the rest of your time volunteering.

Having choices is capitalism, and that is beautiful. No other system allows you the same range of options.

Capitalism and Economic Mobility

Another way we have lost branding around the concept of capitalism is through the myth that the top 1 percent—or even the top 50 percent—is always the same people.

Though some people complain that the wealthiest were born with silver spoons in their mouths, inherit their money, and therefore nobody else has a chance, the numbers say otherwise.

Business Insider shared statistics showing incredible economic mobility in the United States: "over 50% of Americans will find themselves in the top 10% of earners for at least one year of their lives. More than 11% will find themselves in the top 1%. . . . And close to 99% of those who make it into the top 1% of earners will find themselves on the outside looking in within a decade."[13] This means that people at the "bottom" and the "top" of earners change frequently.

Additionally, in the United States, 80 percent of all millionaires are first generation. In 2018, 675,000 brand-new millionaires were created, and that's just in one year.[14]

On the small business front, pre-COVID, the average small business owner was able to make more than $71,000 a year, and nearly 4 million small business owners built their way into making six figures or more a year.[15]

Has every rich person truly earned every dollar of their wealth? Of course not. But for many of the richest, they did so with the assistance of the government, whether by protecting their pricing, their market share, or, in the case of Elon Musk, via billions of dollars in special government subsidies. That's all a problem, but not with free markets. It's a problem with government.[16]

Because capitalism enables growth, capitalists have an abundance mindset. There is more available for everyone. Capitalists want other people to do well (or who else will they exchange with in the market)? Socialists and central planners have a scarcity mindset and focus on division and redistribution instead of growth.

Of course, that is with the exception of the magical unicorns and fairies crowd, who, in opposition to their own arguments of the game being rigged and limited, also delusionally believe that money grows on trees and that despite all evidence to the contrary, prosperity is a natural state of being. These folks believe that everyone could stay home, get UBI, free health care, and free school or that companies could be forced to pay everyone six-figure wages, and there would still be food, cars, new iPhones, and more.

2020: A Spotlight on Restricting Freedom

Losing the branding around capitalism extends to capitalism's core principles. The debate around school openings during 2020 is the perfect example of how capitalism and its tenets can work, even when there is some government intervention.

As people have bought into giving more powers up to the government, we have seen more poor outcomes, as centralizing political power always stands in opposition to free choice, free will, transparency, accountability, and other free market, capitalistic concepts.

Take the city I live in, Chicago; the Chicago Public Schools (CPS) system spends almost $17,000 a year per student for school instruction and operations, not including capital expenditures or long-term debt payments. However, its output has been horrible. Union control, in concert with the political power the unions wield, has created a stranglehold that has shifted schools away from any benefits associated with capitalism.[17]

In September 2019, EducationWeek noted that "America's public school system today costs taxpayers over two-and-a-half times more than it did half a century ago—far outstripping changes in enrollment over that time. When federal, state, and local spending is taken together, it stands as one of government's most-expensive endeavors."[18]

In fact, the United States spends more money per student on education than just about any other country in the world, 51 percent higher than the global average. Even the "democratic socialist" countries that you hear about from progressives—America has outspent them, but not with better outcomes, mind you, according to the Organisation for Economic Co-operation and Development's annual report of education indicators.[19]

According to the National Center on Education and the Economy (NCEE), US students rank sixth in math, a half year to three and a half years behind Germany, Canada, Finland, Singapore, and South Korea. The average student in Singapore is ahead of his or her US counterparts not only by 3.5 years in math but also by 2.5 years in science and 1.5 years in reading. According to a 2018 analysis by *The Guardian* of those data, US students rank behind those in countries such as the Netherlands and Estonia in overall education. *The Guardian* also spoke to Marc Tucker, the NCEE president, who noted, "The issues are systemic . . . and getting worse."[20]

Not only is the United States lagging behind other countries in education, but it also isn't keeping up with its own metrics. In a 2013 study for the Friedman Foundation for Educational Choice (now EdChoice), Benjamin Scafidi noted that the academic outcomes of K–12 education in the United States have not increased in lockstep with the growth of teachers and administrators, saying, "Public high school graduation rates peaked around 1970, and government data show reading scores on the National Assessment of Educational Progress (NAEP) fell slightly between 1992 and 2008. Math scores on the NAEP Long-Term Trend were stagnant during the same period."[21]

How is the United States spending more than almost every other country on the planet and not getting the right outcomes? This is a not-surprising result of large-scale government intervention and union cronyism that could be fixed by capitalism.

Now, under pure capitalism, the government wouldn't be involved in education at all. However, I am a pragmatist and not an absolutist like some others. I realize that such a transition is not likely to happen soon, if at all, and that at least in the short term, taking government out of education could create an absence of opportunities for those who live in disadvantaged areas or were born into a family that doesn't value education. However, that doesn't mean that capitalistic principles can't apply.

In the realm of education, that can mean more school choice, reducing union power, and other shifts to give more freedom to the "consumers," the families and students of each school. It is preposterous to think the only way someone has the ability to take their business elsewhere and have choice in the current education system is to bear the burden of moving (a very high barrier), homeschooling, or, for the wealthy, sending their kids to private schools or alternative learning arrangements at an additional cost to taxes.

Take what happened in July 2020, when the CDC put forth the guidance that schools should open in the fall. That proclamation was immediately politicized. Those who were in opposition to either the Trump administration or sending their kids—or themselves—to school thought the government was too heavy-handed and was putting them in danger. Others who supported the Trump administration or the notion of sending their kids or themselves back to school argued that the government should force teachers and students back; if nurses were essential workers, if big box retail cashiers were essential workers, why were teachers not essential workers?[22]

However, if free market forces were at work in education, people could make the right choices for themselves and their families. Why should anyone, from social media pundits to a bunch of government politicians, be able to make that risk call for you and your family?

If free market forces were at work, instead of teachers' unions tied to government officials directing negotiations, teachers who wanted to work in schools could and those who wanted to teach remotely also could, to the

extent that there was a demand for each. Moreover, these activities would likely be at different pay scales.

Likewise, as a parent, based on your family's circumstances, you could send your child to school or set up remote learning from home. Or perhaps you'd prefer to take the dollars allocated to your child and pay for a tutor, private schooling, or some other educational option.

Options. Freedom. Choice. That is what capitalistic principles would bring to education, and people would never be in a situation where a government entity could force students or teachers to either work or stay home at their whim. It's the perfect illustration of how the too-big-to-succeed government was structured for failure; it was apparent before, but 2020 illustrated it with bold font and an exclamation point.

In fact, while the government-run schools struggled in 2020, private schools thrived. According to a study conducted in late November 2020, reported on by The Hill, despite the general economic upheaval, independent private K–12 schools were "flourishing." Many parents who were able to go to the free markets exercised that option. Seventy percent of the independent schools surveyed had seen their enrollment increase or stay the same, and at the time of the survey, none of them was on a fully virtual schedule; 75 percent were fully open, and the other 25 percent used a hybrid model. The schools reported having detailed COVID protocols that they were able to quickly put into place.[23]

This example also illustrates the danger of losing the branding around capitalism. Central planners use these tactics to create power and a stranglehold of bad policies. Because of the size and power of the government, and in turn its cronies, such as the teachers' unions, it becomes incredibly difficult to unwind these bad policies once they take hold. We need to do more dismantling, not set up more challenges and roadblocks, if we want to get the country back on track, from its heart to its economic foundation.

A Dangerous Cycle

Whether it is selling inequality porn, the greed narrative, or any other branding meant to soil the name of capitalism, this bad branding keeps people focused on symptoms instead of root causes. For example, when you

focus on the meaningless differential measure of wealth instead of poverty, you approach the issue with a scarcity mindset and misdirect the concern toward what other people have. This creates a blind spot for solutions and begets more government intervention.

You end up believing that some magic entity will put your interests ahead of its own and take better care of you than you would or could yourself. But that's far from the case and is not rational behavior. As Damon Dunn of Pacific Research Institute said in his book, *Punting Poverty*, "Is Mark Zuckerberg teaching his kids that the best they can expect in life is a government handout? No. And no parent should. Otherwise, we will doom our children to a life enslaved by government-imposed limits."[24]

When the focus is shifted away from free market solutions to more government, you end up with more government dependency, a bigger government, and a lack of initiative for people to lift themselves out of poverty. And thus, the big-government cycle continues—lather, rinse, repeat—until we get more and more government from which we can't get away.

As fewer people understand the tenets and benefits of capitalism, it is easy to get further away from it.

How to Win at the Branding Game

Until branding is fixed around concepts such as capitalism, the masses won't understand those concepts and principles. They will fight against the free market and push for more big government, even when their principles say otherwise—like the same people wanting to "defund the police" for individual rights violations who don't understand that they are pushing for more free market intervention and principles.

To take back the branding around capitalism, talking more about free markets or free market capitalism and working to associate capitalism with free choice correctly can help.

I also suggest eliminating the use of crony capitalism and calling out its misuse while replacing it with cronyism and the reminder that cronyism is a government function, not a free market function.

In addition to shifting language, it is important to point out where people have benefited under free market capitalism by choice, particularly if they have decided to trade financial metrics for other ones. If someone is

pursuing a passion or vocation that pays less because they enjoy it, that's their choice to participate in the market by putting nonfinancial objectives first.

Free market capitalism needs to be decoupled from politics because free markets are antipolitics. Though Democratic policies lean more toward big government in general and in principle, both major US political parties bear responsibility for the ballooning size and scope of the government, cronyism, and non–free market legislation.

It may come to the point where words and concepts need to be rebranded fully (heck, that seems to be working for the far Left these days, when words no longer mean anything); so if that's the strategy, maybe classical liberalism needs to be reengaged, or new terms and concepts need to emerge.

We need a push for more people who not only say they are in favor of small government, fiscal conservatism, and related principles but who actively work to make those happen. Honesty is important. Republicans have hugely expanded government under their leadership while preaching fiscal conservatism; at least the Democrats are honest about their intentions.

Creating wealth, which capitalism has done worldwide, is an infinite opportunity and dividing up wealth, which is a government function since they create nothing, is a finite exercise. That needs to be said over and over again.

More on Language, Greed, and Profits

There are other branding issues related to capitalism to address. One of the biggest criticisms of the free market, capitalism, or capitalists themselves relates to the label of greed. We are told repeatedly that the system itself and its participants are "greedy" by those who oppose it. But is the opposition to greed a criticism of capitalism or human nature? And does the obsession with greed and capitalism provide another objection that obfuscates the ills of central planning?

Greed is often defined as an intense and selfish desire for something, including wealth, status, power, food, material goods, and so on. The connotation is that people are pursuing and keeping more of those items than they need.

There are two critical issues with this being a criticism of capitalism. Unless you are coming to the argument in bad faith or finding the exception-to-the-rule saints among us, pretty much everyone acts in their self-interest; this is not particular to capitalism. To pretend that isn't the case is denying fundamental human nature that dates back to the beginning of time.

In terms of pursuing and keeping more than you need, again, that is human nature and is rampant in every facet of life. In developed nations, people typically seek to live in more square footage than they need, eat more than they should, have more clothes and shoes than are necessary to keep covered, and so on. This isn't any moral failing but a reality that keeps people productive.

Given that a propensity to act in self-interest exists and that the citizens of all developed countries have more than they need, the inherent benefit of capitalism is that it harnesses that greed for the benefit of all in the "system," while socialism pretends that human nature and greed don't exist, to the detriment of all but those who are in power.

Business Greed Is Good

I will channel my best Gordon Gekko from the classic 1980s movie *Wall Street* here and say that the pursuit of profit and avoidance of losses in capitalism is what makes the system work so well, and if that is considered greed, then greed is good.

Going back to the famed economist Thomas Sowell's definition of economics as the allocation of scarce resources, in capitalism, pursuing profits helps to allocate resources efficiently and it keeps companies competitive with one another. Thinking about this on the most basic level, if a company (aka market participant) is not serving its customers appropriately via the right products, services, pricing, and so on, customers will go elsewhere.

What does that mean in everyday terms? Let's say we have the Evil Chocolate Company (ECC), which makes an industry standard 6 percent profit on its chocolate. So for every $1 in chocolate products it sells, it makes six cents of profits. If ECC sells $1 billion worth of chocolate in a year, it will make $60 million a year. The owners of ECC and its

management would like to make more money (they are greedy). However, the market will let it maximize its profits only if it aligns with customers' benefits. If it raises the price of a chocolate bar from $1 to $2 to try to increase its profits, customers may say, "Well, the chocolate is good, but not two-dollar-a-bar good—I'm going to buy my chocolate from Joe's Chocolate instead." If ECC uses an inferior ingredient that costs less to boost profits, customers will notice that the chocolate isn't as tasty. ECC can't keep increasing its profits infinitely because at some point, customers will start to say, "I'm out." Losing customers is not a profitable business strategy; if that happens, the company will make less money or possibly go out of business.

As there are always other companies also seeking to be greedy—i.e., make lots of money—Evil Chocolate Company must continually innovate, service its customers well, and maintain fair prices to compete with the existing and new entrants into the market. If its pricing, offering, service, or any other facet of its business isn't up to snuff, a competitor will be able to lure its customers away. Competition, a cornerstone of the free market, serves to lower prices and increase quality for the consumer. So the greed of the new and existing entrants of the market creates checks and balances under capitalism.

The same thing happens with pay. If ECC doesn't pay enough money to its workers, it won't attract good workers or employees will leave for another job and the quality of its products or customer service will suffer. Then, as I said before, if that happens, customers won't buy the products and there will be no excess profits for the company. The company management wants to maximize profits, so they are greedy until the point where being so stops benefiting all parties.

Because you are not forced to buy chocolate from ECC—or anyone else, for that matter—and because you may choose to eat chocolate or substitute a multitude of other foods, any company you want to support, you can, and those you don't want to support, you don't have to. These individual, free choices, multiplied by millions of people in the market every day, impact everything from which companies stay in business to the products they offer.

This may seem trivial, but balancing company operations with market feedback is quite hard to do, and it's why the most profitable companies

find it a challenge to stay at the top. This, again, self-regulates corporate greed.

It is also worth noting while there are always new entrants in a free market competing, the government has no competition. This lack of competition takes away any incentive to do the best for its “customers”: the citizens.

Government Greed

Having a free market allows for an incredibly efficient distribution of goods and services. This is very different from any kind of government planning, which doesn’t allow for the free choice of all individual market participants to provide information on resource allocation. Instead, a few people decide how many—if any—chocolate bars are made. Moreover, there is no mechanism to ensure that pricing or quality is up to snuff or that resources are allocated efficiently and appropriately.

Our greedy human nature is also present in not just companies but also consumers, who naturally want the best product for the lowest price. Greed also presents in workers who want to make more money or get other benefits for their labor. When all of these forces work together, greed creates the perfect balance to ensure that all participants in the system benefit.

Socialism—or any type of central planning that moves away from free choice—misses the mark. Even with the most complex financial models at their disposal, individuals lack the ability to replicate what the market does. This is why in so many socialist regimes people starved to death, not because food wasn’t available, but instead because lack of market efficiency stopped the food from getting to those who needed it. (I suggest you read Sowell’s book *Basic Economics* for a full understanding of this and other economic concepts.)

If you want to see incompetence in action, have you ever used government services? How do they compare to the services of those who must compete for your business? It is not difficult to see the difference that motivation provides.

The Company Is Greedy, but I'm Not!

Greed always seems to come from the perspective of "not me but thee." If you were to ask a room full of people if they have ever dealt with a person or company that is greedy, they would undoubtedly say they have. Ask the same people which of them is greedy, and you are likely to hear crickets.

A frequent objection is that companies are greedy and take advantage of circumstances. For instance, take Uber, the ride-sharing app and service used throughout the world for rides on demand. It works by incentivizing individuals to want to drive, so there is enough supply of drivers to meet the user riders' demand.

Sometimes there are more prospective riders available in an area than drivers who are willing to provide rides. This often happens at times such as rush hour or on certain holidays. So what does Uber do to solve this? It raises the price, which in its app is called "surge pricing." I have heard many people complain that Uber is greedy for its surge pricing practices. It isn't greed but rather a mechanism to solve the imbalance of supply and demand. Or, if you want to call it greedy, greed is again good!

On the supply side, a driver who might not be willing to work during rush hour or New Year's Eve—lots of traffic and drunk passengers may not be worth it for a standard fare—may be enticed to work for the higher fare. The extra money makes it worth it to him, and that brings more drivers into the market.

On the demand side, some riders who were willing to take an Uber at regular pricing will find the increased pricing not worth it and instead take a taxi or a bus, carpool, or walk. This decreases the number of potential cars needed to service riders at the time.

Ultimately, the change in pricing helps those who value the ride at that particular time get a ride. It's not greed; it's the genius of the free market.

Funny enough, if things were slow at a specific point in time, when Uber had many available drivers but not enough riders, it could offer you a coupon or other discount to incentivize you to utilize the service. That would give you not the regular market price but a price below that. If you accept it, does that make you greedy? I mean, you are considering only your own interests and not how it might affect the company or the driver, right?

The answer: no, it doesn't. It makes you human, and that interaction is captured in the free market appropriately as well.

Just be clear about one thing: it is no more greedy for a company to raise prices in periods of increased demand than it is for you to use a coupon to take advantage of slower demand. And remember, everyone benefits. If there is no benefit to one party, they will not participate.

On the government side, while people label the pursuit of profits or market adjustments for high demand as "greedy," those same people bafflingly never think that the government is greedy or that advocating for taking one person's hard-earned money to be transferred to someone else at the whim of an elected official is greedy, either.

As Thomas Sowell put it, "I have never understood why it is 'greed' to want to keep the money you have earned but not greed to want to take somebody else's money." That goes back to bad branding.

Furthermore, when someone brings up greed, where is the line? Is it only greedy for me to want to keep what I have earned? What about other stuff? Why is it always just currency and investments? Is it greedy for me to want to keep a painting on my wall? The painting is my money turned into a good. If it is okay for me to keep a good, why is it different to keep the currency before it is turned into a good? What if the painting is a Picasso worth tens of millions of dollars? Do I need to sell my Picasso because I don't need it? What if I have three? When you start making arbitrary lines of what is greedy and what property you should be allowed to keep, you kill the principle of individual rights, including property rights.

Keep asking questions: Are politicians greedy? Is the government greedy? Why do we have financial and related responsibilities to people occupying the same landmass, and where do they end? How much more do you have than the average person in Venezuela? (As noted earlier in this chapter, the median net worth in Venezuela at the time of this writing was $0.) When you get away from a moral code and you start playing the greed game, even if you are among the most impoverished persons in America, you are going to be considered greedy in a worldwide assessment.

These arguments are discussions of emotion, not logic or reason. They are also not of principle. There is no mechanism to say what is enough nor a moral authority for one person to dictate what another should be doing with their life, liberty, and pursuit of happiness. Therefore, we need to push back

on these arguments and recapture the branding or risk it being used as a ruse to beget more government and the inferior outcomes that come with it.

But Isn't Acting in Your Own Self-Interest Bad?

There will still be people who argue against human nature and say that you should be concerned with others or the group and not yourself. They will say that acting in your self-interest is wrong or greedy. As mentioned above, it's human nature to prioritize your own needs and the needs of those with whom you have relationships. Is that bad? Under capitalism, no.

As Adam Smith wrote in *An Inquiry into the Nature and Causes of the Wealth of Nations*, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."[25]

That's to say that you don't get all of the modern conveniences and luxuries, or even your basic needs filled, because you are waiting around for a bunch of Mother Teresas to take care of you. Your needs are filled because other people are serving their own interests. Butchers and bakers pursue their skill to take care of themselves both directly and indirectly, by trading their output to others who desire it for money, which they can then use to buy the things they want.

Self-interest fuels the markets. That's not to say that people aren't generous and do things for others, too. The United States has ranked as the most generous in the entire world for more than a decade and Americans gave approximately $450 billion to charity in 2019 alone, hardly consistent with the reputation of greedy capitalists. But in terms of doing for others, the difference is whether it should be done by free choice or by force and whether you should have a direct say in how you help.[26]

Contrast this to socialism or central planning. What happens when those who have unmitigated power use force and coercion to take away freedom of choice and instead make their own decisions for the masses? Greed, in that case, is bad. There is no counterbalancing market force. Sure, you can argue that you can vote some people out, but the structure is in place. Once it is in place, it becomes more difficult to tear down.

Think about the government in 2020. While others were struggling, jobs were lost, and businesses shut down, did politicians take a pay cut in

solidarity? You can probably guess the answer—a resounding “no.”

Greed is good in capitalism because it leverages it in a market “system.” Greed is terrible in a socialist system because it leads to a small number of people making decisions on behalf of everyone else and cementing their power at someone else’s expense, not their benefit.

To believe in socialism, you have to think that greed doesn’t exist. You have to think that people don’t seek out power and their own self-interests in benefits. If you believe that greed exists, you should want capitalism.

Chapter 11

Trading Capitalism for Cronyism

Why the "Game Being Rigged" Is Coming from Government, Not Capitalism

By the end of April 2020, around one-third of the coronavirus deaths in Indiana had been in nursing homes and long-term care facilities. Though many other states were reporting data on a facility-by-facility basis, according to the *Indianapolis Star*, the state of Indiana was withholding those data and relying on facilities to report statistics directly to families. Though Indiana governor Eric Holcomb blamed it on private enterprise, when the *Indianapolis* Star had investigated Indiana's nursing homes the previous month, it had found that 90 percent of the state's facilities "are owned by county hospitals, which are units of local government," and received billions of dollars in public money, including Medicaid and Medicare payments.

The *Star*'s investigation also revealed that the hospitals had, over the two previous decades, diverted north of $1 billion in federal payments for nursing homes to unrelated projects, many of which were undisclosed by county hospitals.

The pressure caused by the discovery pushed Indiana government officials to agree to share aggregate facility data but not data on a facility-by-facility level. The *Indianapolis Star* reported advocates as saying that the entire scenario "reeks of cronyism" and did a disservice to the state's residents. A frustrated resident who had been trying to get information on a facility his mother was in was quoted as saying, "I'm guessing the nursing home association has a very close relationship with the current administration, so they are trying to block it."[1]

It is not surprising that we would see cronyism playing a substantial role in the 2020 fallout because it has been an increasing factor in government

creep, power, and, ultimately, failure. It's also a pillar of the war on small businesses.

To understand that and why it is the antithesis of capitalism and protection of individual rights and ultimately how it has created a government burden that has played a significant role in 2020, it is vital to understand what cronyism is and is not.

"Crony Capitalism" Is to Capitalism as Chinese Checkers Is to Checkers (i.e., Cronyism Is Not Capitalism)

To understand cronyism, we have to compare and contrast it to capitalism, with which it is often confused. We often hear as an objection to capitalism that "the game is rigged" and that "the few and powerful get special treatment." However, though the blame is misplaced on capitalism, what those decriers are objecting to is not free markets but government power.

Inexplicably, people who raise those issues typically think that more government power is the solution.

The concept of capitalism and its free market foundation means that companies must compete in the market for customers, talent, and capital based on innovations, risk, product differentiation, customer service, and other tools at their disposal. A free market allows any person or entity to enter the market at any time and try to compete on those factors. Furthermore, no entity receives any special advantages it hasn't earned.

However, government power—without exception—leads to interference with the free markets under the label of cronyism. Cronyism is loosely defined as awarding special advantages to friends and connections, not based on merit, but based on relationships and favors, typically with the expectation of some type of returned favor or support in the future.

As my friend the bestselling author Bob Burg says, "crony capitalism" is to capitalism as Chinese checkers is to checkers: they have nothing in common except for part of their respective names. I agree and take it a step further—I do not even call cronyism by that unfortunate colloquial term "crony capitalism," and I ask you to differentiate between the two as well.

Cronyism happens when government moves away from its job of protecting individual and property rights that set the foundation for free market competition and toward picking winners and granting favors with their power. Big government and central planning enable cronyism because people seek out power and benefits—again, that's fundamental human nature. However, government planning doesn't have the smooth mechanisms the free market has to make that work to everyone's advantage (by creating lower prices, for example).

Via cronyism, the government doles out favors and benefits in several areas and industries to nonprofits, unions, other government entities, and corporations alike. As it relates to the economy, these may take the form of favorable legislation, subsidies, tax treatment, bailouts, or even government-mandated monopolies. None of these is a component of capitalism, and all are fundamentally opposed to the tenets of capitalism.

Cronyism is big business for politicians; it helps them get reelected and "get things done." Though lobbying isn't the only way cronyism presents itself, it is one good proxy to help illustrate its influence, particularly on the economy. It has been estimated that, as of 2019, total lobbying expense was a whopping $3.5 billion a year. One can surmise that the organizations spending those billions have to earn a return on that "investment" to make it worthwhile to spend, so the "payback" (in terms of beneficial impact to supporters) is many times that.[2]

As the lobbying expert Lee Drutman wrote in a piece for *The Atlantic*:

> business lobbying has built itself up over time, and the self-reinforcing quality of corporate lobbying has increasingly come to overwhelm every other potentially countervailing force. It has also fundamentally changed how corporations interact with government—rather than trying to keep government out of its business (as they did for a long time), companies are now increasingly bringing government in as a partner, looking to see what the country can do for them.[3]

This is the fundamental shift from embracing free markets and capitalism to allowing government to choose winners and losers or at least give some special rules to some players or teams.

Cronyism in Action

The government creep enabling more government power has been building over many decades. Back in the nineteenth century, most lobbying took place at the state level, as the federal government had a smaller purview at the time and was not involved in many economic matters.[4]

In the first half or so of the twentieth century, nonbusiness special interest groups and unions were the primary crony influence in politics. However, in the latter half of the century, changes in campaign laws and the rise of so-called soft money (as the Center for Responsive Politics defines it, funneling money through corporations and unions because those groups were not officially tied to a particular political campaign) shifted that. And of course, the Supreme Court ruling in the 2010 case *Citizens United v. Federal Election Commission* that corporations were, in effect, people, thus removing the expenditure limits for corporations and labor unions on "electioneering communications," quickly led to the birth of "Super-PACs" and, shortly thereafter, the most expensive election cycle in history.[5]

However, even back in the late 1800s and early 1900s, powerful business owners knew that only government intervention could beat the free markets. In The Case Against the Fed, Dr. Murray Rothbard recounted the story of how the Morgans (the noted and influential financiers and businessmen) tried to create cartels in the railroad industry to increase profits. However, the free markets kept winning; someone would always break the cartel pact for his own interest and lower prices to get more business. The Morgans could not dominate the free market.[6]

The only way they could dominate was with the help of the government. So they partnered with the federal government to regulate the industry and restrict competition. That resulted in the creation of the Interstate Commerce Commission to "enforce the cartel that they could not achieve on the free market."[7]

Cronyism and government creep have gone hand in hand, creating a vicious cycle that cements more power and money for the government, which they use to "feed" special interests, including businesses, which then drives more money and support into politics and continues the cycle. The outcome of the government side of this equation can be seen in a number of proxies, including the size of budgets, deficits, and overall debt.

In the early 1900s, governments at the state, local, and federal levels were spending only about 7.5 percent of GDP, a number that has ballooned well past 30 percent, even before 2020's "emergency" expenditures. Federal

spending alone before the COVID pandemic had mushroomed past 20 percent of GDP.[8]

By the year just prior to 2020's insanity, which ended from a federal fiscal perspective on September 30, 2019, the federal government ran a budget deficit of nearly $1 trillion. Despite the booming economy and just more than 4 percent growth in "revenue" (mostly taxes collected), continued increases in government spending, including on interest, put the US budget gap back into a territory not seen since earlier in the decade (during the Great Recession).

Though the US population grew by around 15 percent between 2001 and the end of FY 2019, government spending increased by nearly 140 percent. And with around $23 trillion accumulated to that point (now many trillions in excess of that, due in part to general overspending and in part to "emergency" COVID spending), every dollar of the deficit adds to the total outstanding US debt, as debt financing is pretty much the only tool the government uses to finance that overspending.

More spending means more power and control for the government. More agencies, more regulations, and more centralized control ensued.

At the state level, in November 2019, The Center Square analyzed the State Expenditure Report by the National Association of State Budget Officers and found that state spending had been increasing, on average, for the previous thirty-three years, by about 5.6 percent per year (5.7 percent in FY 2019). And an analysis by the Pew Charitable Trusts found that the second largest source of income for the states is the federal government (again, you send your tax payment to the federal government, which then sends some of it back to your home state and some to other states, acting as a "clearinghouse" of sorts). In 2017, Pew found that federal revenue accounted for an average of 32.4 percent of total state revenue, demonstrating the close ties between federal and state spending.[9]

According to Pew, the states also reported nearly one trillion dollars in unfunded pension costs and more than $1 trillion combined in unfunded retiree health care liabilities and outstanding debt. However, reports of the actual unfunded liabilities at the state level are widely pegged in the $6 trillion to $7 trillion range.[10]

How does this tie back together? As a recent report by Clive S. Thomas, Ronald J. Hrebenar, and Anthony J. Nownes on lobbying noted, the increasing regulatory role of government has been a major impetus for

many special interests to become politically active. As regulation increases, more money goes into lobbying, which begets increased regulation, becoming a cycle that has been a significant force in ballooning the size and scope of government at all levels.[11]

Power in All Forms, at All Levels

The ways that cronyism takes hold encompasses many forms. Below I go through a handful of them, so you can get a sense of the places where government power and special favors seep into the markets and how politics and cronyism create a vicious cycle of enablement and game rigging.

Subsidies and Special Tax Treatment

States and cities across the country have various ways they use tax treatment and other subsidies to incentivize businesses to relocate, expand, or set up shop in their states. There are formalized programs, such as New York's Excelsior Jobs Program and the One North Carolina Fund. As noted by the Good Jobs First organization in an analysis of several state programs, the majority of grants and dollars in these types of funds went to large companies, the ones that can afford lobbyists and have political influence.

There are all kinds of special deals that a large business can cut with government entities. Amazon fully exploited that fact when it held basically a cronyist beauty pageant to decide on the location for its second headquarters location (dubbed "HQ2") from 2017 to 2018. The company received 238 bids promising everything short of firstborn children in exchange for being chosen. From tax benefits to cash to city naming rights, states and cities begged Amazon to call them home. When do you think was the last time that a family restaurant, barber, or day care center could get a local politician to return a phone call, let alone throw benefits, perks, and more at them? Amazon's original choices, which included an operations outpost in Nashville, as well as a headquarters in media-central New York (rescinded by Amazon after a high-profile fight between Democratic politicians in New York) and Washington lobbyist central, northern

Virginia, were mostly expected, and the "stunt" contest was used to see how many benefits it could extract. Though Amazon pitched what it could do for those states and cities, the important thing was what those cities and states and their respective governments could do for Amazon.[12]

At the federal level, even as President Trump promised to "drain the swamp," his administration's policies were fraught with crony undertones. Front and center was his trade war, which featured tariff exemptions for individual businesses, including those that lent him political support. As one of many examples, according to a ProPublica report, Brian Ballard, Trump's ally and the head of his inauguration committee, was paid, along with a colleague, $540,000 to lobby for exclusions from tariffs on behalf of Varian Medical Systems. "Four of Varian's five exclusion requests [were] approved—which, the company said in an SEC filing, boosted revenues by $23 million."[13]

ProPublica's research also showed that decisions had been arbitrary and often to the detriment of small business owners. For example, as it reported, at one point, "Non-electrical wall candelabras, of wood, each with 3 wrought iron candle holders" were exempted from import tariffs, but those with one or two candle holders were not.

During 2018 and 2019, lobbying specifically related to trade and tariffs was substantially higher than previous years, recording the highest total dollar years on record to that point.

Overall, many outdated policies have increased in scope to prop up different industries, with the government deciding who is worthy and at what cost. For example, the Foundation for Economic Education noted, per Pacific Standard's Emily Moon, that in 2019, subsidies to milk farmers exceeded demand for the product, but rather than reducing dairy subsidies and angering those constituents, "the USDA has been paying to have surplus milk made into cheese" and is sitting on a stockpile of more than 1.4 billion pounds of US-made cheese.[14] I like cheese, probably more than the average person does, but there is no justification for this type of government intervention.

Bailouts

In addition to cheese, we know that bailouts and congressional spending bills, in general, are stuffed with pork (the colloquial name for spending intended to benefit special interests so that those politicians can reap the support of such groups). The CARES Act, as discussed in chapter 4, clearly lays out many of those crony behaviors, prioritizing big interests over the most vulnerable small businesses.

The CARES Act is just one of the latest symptoms. The auto company bailouts that took place under Presidents George W. Bush and Barack Obama prolonged an eventual bankruptcy process for General Motors and Chrysler in order to benefit unions at the expense of other creditors and taxpayers, a crony transfer estimated at more than $26.5 billion.[15]

Of course, that was done under the guise of ensuring that the small businesses that served these big companies wouldn't go out of business. But the government didn't prioritize a plan to provide relief or even backstop the liabilities for those small businesses, the kind of effort it would have made if that—and not cronyism—had been its actual objective.

Favorable Legislation and Regulatory Capture

Legislation always comes about under the cloak of theoretically noble causes, such as protecting consumers or the public at large or promoting competition. But when legislators stray from the principle of protecting individual rights, this legislation can and does go astray. As government gets bigger and less transparent and more money comes in from lobbyists and other crony interests, legislation can be a tool to provide favors to those special interests and businesses and even be anticompetitive.

This can also come about in the form of regulatory capture. As PolicyEd explains, regulatory capture can occur when regulatory agencies become dominated by the very industries they were charged with regulating, sometimes sharing resources and information, and prompting regulators to advance those industries' goals and interests.

In *The Case Against the Fed*, Dr. Murray Rothbard described how in 1906 it was the large meatpacking companies that pushed for the legislation and the "costly federal inspection of meat . . . to place cripplingly high costs on competing small meat packers." As demonstrated throughout the text, the "Progressive Era" was basically big businesses and their financial

backers having the government enforce the cartel behavior that they themselves could not in the free market.[16]

A recent example is the Dodd-Frank Wall Street Reform and Consumer Protection Act, passed during the Great Recession, whose purpose was ostensibly to ensure that the banking system would remain stable and sound. However, because of the massive costs of the legislation, its beneficiaries were the larger banks that had caused the crisis, the outcome being that smaller banks were put out of business. In fact, it killed off the ability of new banks to come into the market to compete.[17]

In March 2015, the Federal Reserve Bank of Richmond put out a report that showed that for the six years following the financial crisis, the number of independent commercial banks had shrunk by 14 percent (more than eight hundred institutions), mostly in the realm of community banks. The report said, “While some of this decline was caused by failure, most of it was driven by an unprecedented collapse in new bank entry. The rate of new-bank formation has fallen from an average of about 100 per year since 1990 to an average of about three per year since 2010.”[18] The government’s regulation had explicitly made it impossible for a small bank to enter the market.

Such regulation often has further unintended consequences. A June 2018 report by the National Bureau of Economic Research showed that the Dodd-Frank legislation also had the effect of making it harder for small businesses and new businesses to get financing. As small businesses are a critical economic engine and grow at a faster clip than big companies, that decrease in access to capital led to slower growth and a slower recovery from the financial crisis. After adjusting for economic conditions and other factors, the share of smaller loans had “fallen by 9 percentage points since 2010,”[19] at generally the same time that banks had seen their large-loan volume increase by 80 percent. In relation to the report, *Investor’s Business Daily* published an editorial that noted, “Smaller banks, which mainly do only small business loans, saw their loan volumes decline by twice as much. This is why there has been a silent depression in the once-vibrant small-bank industry.”[20]

So legislation meant to rein in the big banks in fact gave them more free rein.

All sorts of nonfavorable legislation is enveloped in cronyism. In March 2019, after testifying in front of Congress, Facebook CEO Mark Zuckerberg wrote a *Washington Post* op-ed on why the internet needs more regulation. This is something that happens more frequently than you may realize, and you may even think it is counterintuitive. Whether quietly or overtly, big businesses often call on Congress to enact rules and regulations in their industry. Zuckerberg and his counterparts in the tech industry are more than capable of forming a council and deciding on appropriate standards. They have boatloads of knowledge in excess of what government officials possess. However, they want to force regulation. The reason: regulations are anticompetitive and make it harder for small businesses to compete and for new competition in the form of startups to enter the industry.

Whereas big companies have substantial human and monetary resources to comply with complex and costly regulation, small companies do not. Such regulations create a disproportionate burden for small and new entrants that end up limiting competition for the bigger companies.

This is a tricky way for cronyism to take effect without significant political fallout. It may look as though government is being responsible and "helping," but in fact it is creating barriers to entry, removing competition, and indirectly influencing who will be winners and who losers.

This also happened recently with minimum wage laws. Companies such as Amazon, which has the scale to absorb increased costs, and even McDonald's, which has many small business franchise operators but can leverage its systemwide resources to replace labor with technology (think kiosk instead of cashier), abandoned opposition and in some cases began to favor higher minimum wage legislation, knowing that it would put many smaller competitors out of business and make it much harder for new entrants to come into the market. This ends up being bad not just for small businesses but for consumers, who have fewer options to choose from and may end up paying higher prices due to less competition and increasing operating costs.

Though you might be tempted to think of the minimum wage as a good thing, artificial price controls always limit opportunities. The minimum wage was passed as legislation precisely to exclude unskilled workers, particularly immigrants, minorities, and women, from the workforce. It has the same effect today.[21]

Whether it results from outcomes swayed due to lobbying, an attempt to move more people onto the government dole, or simply the government's being ill equipped to pick winners and losers, this trend toward cronyism and non–free market allocations of benefits and incentives disrupts market forces, creates unfair advantages on the playing field, and ultimately disrupts efficiency and productivity. This further results in lost opportunities, growth, and consumer choice. It begets fewer small businesses, stronger big businesses and unions, and more government power.

So Many Cronies, So Little Time

Why would politicians engage in cronyism? To understand, look at how they benefit from it. While they are in office, engaging in cronyism helps fill their coffers, particularly for reelection campaigns. During the 2015–2016 campaign cycle, the Federal Election Commission reported, presidential candidates raised and spent $1.5 billion, congressional candidates collected and disbursed $1.6 billion, political parties received and spent $1.6 billion, and political action committees (PACs) raised and spent $4 billion.

After they leave office, politicians may be rewarded with large speaking fees or high-paying jobs that they are otherwise unqualified for or, in many cases, are for the same types of companies they once regulated or otherwise saw lobbying efforts by. There are myriad examples; just think of the former Securities and Exchange Commission (SEC) chair Mary Schapiro joining the board of Morgan Stanley, former director of homeland security Jeh Johnson joining the board of Lockheed Martin, or former Texas governor and secretary of energy Rick Perry's board and consulting positions, including at Energy Transfer, which is controlled by major political donors and lobbied the Department of Energy while Perry was in office.[22]

Or perhaps a job or contract is directed toward a friend or relative. Unfortunately, as government gets bigger, as it has in the United States, there are more of these bastardizations of free enterprise sprouting up and few rules to keep them in check.

Do you believe that entrepreneurs and business management should be seeking to curry favor with more politicians or more of their stakeholders, including investors, customers, and employees? Should companies be investing in innovation or making friends in Washington, DC? They need to do the latter only when the economy and policy making are moving away from capitalism toward more central planning. It's why Tim Cook, the CEO of Apple, invested in spending time with President Trump and why Wall Street firms' management and key employees often give money to members of both major political parties to have their bases covered.

Furthermore, do you believe that government officials should be representing the interests of their constituents or working for their personal benefit?

Hopefully, it is clear that crony behavior is something that isn't good for everyone.

If you object to cronyism, which is government playing favorites and rigging the game, why on earth would you believe that the solution would be more government?

When government officials gain more control over economic decisions via more central planning, it enables those in power to give preferences, pick winners and losers, and grant special treatment, all behaviors against the nature of free markets.

If government power is limited, then no matter how rich or influential an individual or a business is, they will also be limited in influencing said government.

In regard to cronyism, the Atlas Society says:

> Those who insist that the rich and powerful *always* will exert their influence to extract favors and advantage from politicians and bureaucrats may welcome this advice: Devise a government strictly limited by its constitution (as did the founding fathers) so that politicians and bureaucrats simply don't have the power to help or hinder business. Then there will be no use lobbying, bribing, or putting friends into office. Do not say that capitalism is impossible without cronyism until you separate government and the economy in the same absolute way that the U.S. Constitution separates government and religion.[23]

You may argue that cronyism happens in the free market, too. Perhaps someone gets a job because of a connection instead of merit or a company chooses a vendor based on a cozy relationship. Though this can happen, it can't happen for extended periods without impacting how the company competes in the market. Whether it is via subpar returns to shareholders,

inferior value to customers, or a toxic work culture created when something happens in business based on anything other than merit, such behavior creates a vulnerability that the company brings into the market that other companies can exploit. That leads to the company either correcting itself or operating at a handicap.

Moreover, given the economic freedom that everyone is granted under capitalism, no individual has to deal with any given company—unless, of course, it is a government-granted monopoly that precludes them from exercising their capitalistic choice. As a consumer, you have the freedom to deal with your preferred provider of goods or services—a luxury you never have with the government.

People are worried about billionaires buying and controlling elections, but what about the unions? Two of the largest national unions, the National Education Association (NEA) and the American Federation of Teachers (AFT), have around 3 million and 1.7 million members, respectively. The NEA is the largest labor union and professional interest group in the United States, wielding a budget north of $300 million. During the 2020 election cycle the NEA and AFT spent more than $52 million, via individuals, PACs, and "soft money," on political campaigns. Despite saying they are nonpartisan, analysis by Influence Watch shows they have given nearly all of their money (97 percent) in recent years to support big government Democrat politicians and have significant power when it comes to lending their endorsements to candidates. They also spend millions on lobbying efforts.[24]

With the millions of members that the unions represent, they have strength and power that no group should be able to wield in the political arena. Because schools are funded at the federal, state, and local levels, these unions influence politics at all three levels. Their stranglehold, which includes promoting forceful, coercive, non–free market policies such as opposing merit pay for teachers, school choice, and competition from charter schools, has become a scourge on the education system.

I want to be clear that not all cronyism is outright corruption or even subtle favor granting for gain. Sometimes, it is just the government thinking it knows better and making decisions without the benefit of free market forces or merely covering its incompetence. Without elements of free markets such as transparency, accountability, ongoing competition, and so on, government outcomes are never the best ones. Their interference just

creates more government inefficiency. It may seem like a small thing individually; however, when replicated throughout the behemoth that is the US government system, it is costly in many ways.

If you want to unrig the game and make the field more equal for everyone, understand that happens with more capitalism, not less. More government power and movement away from free markets will favor the big, powerful, well-connected guys, no matter how many times they pretend they will be the guardians of the vulnerable. More government power and control are not solutions to any objection.

Cronyism and Small Business

Whether at the federal, state, or local level, the impact of cronyism shows up on a nonlevel playing field that is always slanted against the "little guy." In the realm of businesses, that means it is tilted toward big businesses and against small businesses.

A 2015 study by the government watchdog group discussed earlier, Good Jobs First, analyzed more than 4,200 government business stimulus initiatives in fourteen different states, worth more than $3.2 billion. This is the state government deciding who gets stimulus and who doesn't. Perhaps not surprisingly, despite small businesses' accounting for more than 99 percent of all businesses, 90 percent of the dollars awarded were given to large companies.[25]

That is just a small drop in the bucket. The same group wrote in its report "Subsidizing the Corporate One Percent" that 75 percent of the dollar value of state and local incentive deals they analyzed, accounting for $110 billion in overall deals, had been given to just 965 global parent companies. And in its "Uncle Sam's Favorite Corporations" report, it noted that over a fifteen-year period, the federal government had given $68 billion in grants and special tax credits to business, with two-thirds of that going to large businesses, which account for less than a fraction of a percent of all businesses and certainly are not the most vulnerable or "needy."[26]

At all levels of government, the backbone of America, small business, has not been afforded the same assistance, tax breaks, or other incentives to spur its economic activity. Small businesses have faced more regulation, much of it, as discussed above, spurred by crony efforts of big business to

limit competition. By big companies' seeking benefits, regulation, or other roadblocks that make it more difficult for small companies to start and compete in the market, the little guys have had their lunch eaten by the bigger companies, capping industry growth and competition.

Even if your heart is in the right place and you believe that government intervention is necessary to "level the playing field" and "take care of the little guy," you can see that that has not been the outcome. With their immense lobbying power, money, and sway, big businesses have been receiving benefits to the exclusion or detriment of small business.

As noted above, it's not as though Joe's Pizza Parlor can hold a contest like Amazon's to get local leaders' attention. More likely, Joe is going to face all kinds of licenses, permits, and other hurdles that will make it more difficult for him to set up shop.

The language in a piece of California state legislation called AB5 (discussed in detail in chapter 13) has made its way into legislation passed by the House of Representatives for the second time at the time of this writing called the Protecting the Right to Organize (PRO) Act. It is sponsored by unions in an attempt to kill independent contractor and gig jobs, not only providing less choice for individual workers but again making it more difficult for smaller companies to compete. This is cronyism to prop up the power of the government and unions at the expense of small business owners, contractors, freedom, and choice.

There is also little, if any, effort on the part of governments to ensure that they bring smaller guys along for the ride when they cut big deals. When negotiations take place for a large company to move into prime real estate in a city, rarely do you see the inclusion of underserved areas as part of such a deal. Why not ensure that those areas also get investment? Because doing so would create a threat to big government. In theory, moving people from government dependence and economic expenditures to self-sufficiency and generating revenue is a double win. In practice, big-government proponents do everything they can to make the poor dependent on the system in an arm's-length effort to buy votes, which creates the cycle that makes them remain dependent upon—but not truly benefited by—the government.

The 2020 Crony Table

The increase in cronyism set the stage in many ways for the debacle of 2020. Cronyism helped balloon the government, create more central planning and fewer free market solutions, waste resources, run up debt, and distort financial markets and the dollar, all of which made the too-big-to-succeed government a ticking time bomb.

In 2020, this setup rewarded politicians for favoring big businesses and other special interests over small businesses. It punished savers and favored spenders and it forced people to take financial risks that they would not have otherwise.

Cronyism permeated the CARES Act, discussed in chapter 4, from the Kennedy Center and National Endowments for the Arts and Humanities getting a combined $175 million in handouts while small businesses had to jump through hoops to get a small amount of relief (after they were shut down). The structure and execution of the Paycheck Protection Program led to banks taking care of big customers before most small businesses. However, that wasn't the start of cronyism; it was its outgrowth and isn't that far from simply paying for votes. The repercussions are trillions of dollars spent, with a poor return on investment, to many entities that didn't need them, with not enough to those that did, that didn't turn around the vulnerable parts of the economy, and that saddled the United States with even more debt.

The stimulus was structured with a $600-per-week unemployment boost that made it hard for small businesses to get their workers back to work but made it appear as though the politicians were "looking out for the little guys," when in actuality, they were killing their jobs in the long term.

The economic advisory staff of the White House, including the Treasury secretary, helped their Wall Street buddies. Actions such as engaging BlackRock to buy non-government-backed securities meant fees galore to the financial sector.

That's not to mention the Fed's intervention, which, it could be argued, in its effort to prop up the markets artificially through their interest rate and money supply policies, was also driven by crony relationships for years, and continued at record levels in 2020. That meant that the big companies didn't share in the pain of the global pandemic, "zombie" companies were again propped up, and larger companies' benefits were financed on the backs of average taxpayers and small business.

On the PPE front, the federal government awarded many large contracts to help secure supplies. The *Washington Post* reported that in late March and April 2020, the government entered into N95 mask contracts at prices nearly eight times what they would have cost in January and February. Contracts were awarded to several large companies, including Honeywell, whose CEO was appointed to one of Trump's business advisory groups.[27]

You may believe that it made sense for larger companies to be favored in this instance. However, the *Washington Post* reported that, via FEMA, the federal government had awarded a $55 million contract, without a competitive bidding process, to a company called Panthera Worldwide LLC. Panthera Worldwide had some previous government connections but no history of making or procuring medical equipment. Its parent company had filed for bankruptcy in 2019 and had said that it had no employees since May 2018.[28]

In July, the Trump administration invoked the Defense Production Act to give a $765 million loan to support the launch of Kodak Pharmaceuticals, ostensibly to help the longtime photography titan shift to producing generic pharmaceutical ingredients. Though you may agree with the strategy of lessening the United States' dependence on China or other foreign countries for critical supplies, the government's playing banker does not create the right free market incentives.[29]

The move drew a lot of scrutiny from various entities. Scott Lincicome of the Cato Institute said that the decision had been made with no congressional input or oversight—or transparency. He questioned its urgency, saying:

> According to the Food and Drug Administration, of the roughly 2,000 global manufacturing facilities that produce active pharmaceutical ingredients (APIs), 13 percent are in China; 28 percent are in the USA, 26 percent in the EU, and 18 percent in India. For the APIs of World Health Organization "essential medicines" on the U.S. market, 21 percent of manufacturing facilities are located in the United States, 15 percent in China; and the rest in the EU, India, and Canada.[30]

Lincicome further questioned—as others had—"Why pick Kodak?," which was on the brink of extinction prior to the move, saying, "Even assuming for the sake of argument that sagging domestic API production qualifies as a national emergency, why did Kodak, which has no API or other pharmaceutical experience (though it does make chemicals), receive

this government loan, instead of it going to one or more of the *hundreds* of API facilities already operating in the United States?"

It also posed the question that if there was such a dire need, why wouldn't the "greedy" pharmaceutical companies step in and fill it? Did the government need to be giving out a $765 million loan and picking a company, seemingly out of thin air, to fill whatever the need might supposedly be?

Moreover, the effort was supposed to help create hundreds of jobs; imagine the number of jobs that would be supported if $765 million had gone to small businesses instead.

Additional scrutiny was on Kodak's executive chairman, who received, through an arrangement with the board that wasn't disclosed, significant stock options the day before the loan was announced. The SEC announced an investigation on August 4. The loan remained on hold at the time of the 2020 presidential election.[31]

Though Kodak had no known ties to the Trump administration that anyone has uncovered at the time of this writing, it is a strong illustration of the shift from capitalism to cronyism.

At the state level, cronyism's effects were even more palpable and had a more direct economic impact than what happened federally. As state governors decided who and what was deemed essential—that you could get your pet groomed but not yourself, that the big box stores could stay open while smaller entities had to close or limit services—the picking of winners and losers was omnipresent all across the country.

By and large—pun not intended—bigger businesses were allowed to stay open while smaller ones were made to shut down, despite the smaller businesses being less equipped to handle the consequences and with no compensation or assistance for that order. One can only imagine that the mayors and governors did not want to get a call from the CEOs of companies such as Target or PetSmart or their lobbyists but were not bothered by disappointing or even putting out of business those without power: small entrepreneurs.

Many actions involved funneling cash to special interests. In Chicago, McCormick Place convention center was turned into a possible alternate care facility. The facility, which reportedly treated less than a few dozen patients, looked a lot like a means to funnel emergency money to union labor. According to a report, "The Illinois National Guard, U.S. Army Corps

of Engineers and 600 Chicago labor union workers put in more than 60,000 man hours in two weeks.” A similar situation occurred in New York City, which opened a makeshift hospital in the Javits Center and then closed it about a month later. Using labor union members who were out of work due to the lack of shows that would normally have been held at the center, in conjunction with military personnel, the center said it expected to be reimbursed for its costs by FEMA.[32]

Say “No” to Cronyism

The bottom line is that cronyism hurts productivity, creates more centralized power, and makes innovation more difficult. It takes away the power of freedom and choice of individuals to pick winners and losers and concentrates that power in government officials who do so for their own benefit.

We have also seen the politicization of everything spill over into our everyday lives, primarily, in my belief, due to cronyism and its effects on increasing the size of the government. Every facet of our lives, from sports to how we spend money to whether we wear a mask—a health issue, not a political one—has become political. As one of my Twitter followers, Matt Rentschler, responded to my discussion about this, “We’ve let politics shape our everyday lives and coversations [*sic*], instead of having our everyday lives and conversations shape our politics.”[33]

So how do we proceed? If we are going to solve cronyism, we won’t do it by giving government more control. The government is the one offering the handouts and picking the winners and losers. Without the government being able to do that, there will be no cronyism. You can blame the companies for lining up for special treatment. However, if you want to stop crony behavior, you need to stop it at its root, and that will happen by insisting on the limits of government powers and abilities at all levels.

Chapter 12

Trading Places

China's and the United States' Respective Shifts to and from Capitalism

As China is one of the United States' major trading partners ($660 billion in two-way import and export trade in 2018), one of the largest holders of its public debt (it was number one until May 2019, and as of the end of December 2020, still held north of $1 trillion in US debt securities), and an important manufacturing source for large and small US companies alike, you might think that the United States has had a long, healthy relationship with China. However, the relationship is much more recent and highly fraught.[1]

After Chairman Mao's death in 1976, his appointed successor, Hua Guofeng, took over. Then, within a couple of years' time, in 1978, Hua was ousted for a new leader, Deng Xiaoping, who led the transformation of modern China as we know it, from primarily a revolutionary way of thinking to incorporate more economic ideas.[2]

Though China was still a communist regime, the push along the spectrum toward embracing more capitalism was transformational for both the country and its people.

A significant shift occurred in the 1980s, with the lure of China as an opportunity for the United States to spread capitalistic principles, capture market share, and potentially share democratic ideals.

It was a bet by US government planners that China, a country with a communist history, that was run by a communist party, and that did not believe in individual rights, would somehow be able to be transformed. Much of the West believed that once a rogue nation tasted capitalism, it would develop a hunger for Western values.

What downside could there be? From a US government perspective, China and its massive population presented an opportunity to grow the US GDP, to gain favor with cronies at large US companies, and to build up

another country, which could then be able to help support the United States—diplomatically, militarily, currencywise, or otherwise.

However, it was a risky bet to make on a country with such a different ideology and system of values, beliefs, and most importantly, rights—not to mention at that time, China was a poor country, with mainly an interest in agricultural products. Could it somehow be transformed by more consumerism?

Though doing so was sold as a broad opportunity for everyone, it was just another example of government picking winners and losers.

In 1979, the US government went against its thinking of just over a half decade earlier and granted China most-favored-nation (MFN) status under President Jimmy Carter. The term, which is used widely and colloquially in dealmaking, means in the political realm that the country with this status must be treated as well as others with the same status in terms of tariffs, quotas, and other deal mechanics. In layman's terms, China received top-tier treatment in terms of economic dealings.[3]

That status did come with the stipulation of a conditional, annual review by Congress, whose members continually and arrogantly bet that this was the best way to spread some type of democracy in China.

At the time, according to the World Bank, more than 800 million people, almost 90 percent of China's population, were living in extreme poverty. They were about to see a huge transformation, thanks to the United States' change in stance toward the country and its export of capitalism.[4]

The Reagan Years

When he took over from President Carter, President Ronald Reagan was very outspoken about supporting Taiwan. But according to the *New York Times*, his team encouraged him to keep China as a cooperative partner, particularly as the United States was focused on the USSR as a political foe. In the first year of his first term, he decided to allow US manufacturers to sell arms to China on an ad hoc basis.[5]

A combination of Congress's willingness to overlook the objections to diplomacy with China by individuals and groups concerned about the country's human rights violations and other issues and its desire to open up

more market practices on the ground in China ultimately transformed the Chinese economy.

Reforms allowed for a more expansive production and distribution of goods. As reported by the Library of Congress Country Studies, that set off an entrepreneurial expansion of individuals engaged in businesses in China rising more than forty-fold between 1976 and 1985 to 12.2 million, and "as state-owned businesses either were leased or turned over to collective ownership or were leased to individuals, the share of state-owned commerce in total retail sales dropped from 90.3 percent in 1976 to 40.5 percent in 1985."[6]

Back in the United States, as the Cold War ended, China became less politically important, as policy shifted to focus on trade with Japan. Though the renewal of China's MFN status by Congress was always a nonconsensus issue and legislation was introduced to terminate China's special trade status and to impose additional conditions relating to improvements in China's actions on various trade and nontrade issues, no formal legal action was taken by Congress.

However, large companies were excited. As Scott Seligman, the US-China Business Council's Beijing representative from 1980 to 1982, said in *China Business Review*, "Everybody was interested in doing business in China." Because the United States was exporting more to China than importing from it, he said, "The Chinese would constantly lecture us that if we didn't buy more from China, then they weren't going to be able to buy from us."[7] However, in a very non–free market maneuver, China began the model of requiring a local Chinese partner if a company was a US (or other foreign) entity doing business in the country.

As the decade went on, China relaxed certain economic restrictions, such as those related to foreign investment.

Despite continued concerns about Chinese human rights violations, including Tiananmen Square, trade practices, and other matters, economic and political relations moved forward. Congress and various administrations (including under presidents George H. W. Bush and Bill Clinton) felt that the best way to improve things for the Chinese people—and ostensibly for Americans—was to encourage more trade between the countries.

Jobs and the Trade Deficit

When then candidate for president Bill Clinton campaigned against President George H. W. Bush in 1992, a significant campaign issue was Bush's treatment of China. Clinton pushed hard against Bush's relationship with dictators and said that Bush had sent "secret emissaries to raise a toast with those who crushed democracy."[8]

However, once Clinton won the presidency, those tough words were abandoned. The Clinton administration embraced China, again parroting what others before him had said about a partnership benefiting the Chinese people (a prediction that he was ultimately correct about in some ways, but wildly wrong about in others).

In June 2019, FTR's Don Ake wrote about how the Clinton administration had worked to grow the US economy without inflation via importing cheaper products from China. As he said, "Usually, economic growth spurs inflation, which the Fed tries to control with higher interest rates. This can eventually lead to recession." But as he noted, by having access to lower-cost goods manufactured abroad, the individual's dollar could now buy more goods as prices were held down, suppressing inflationary forces.

The downside, as we well know, was that the jobs associated with making those higher-cost goods were being held down as well. Ake noted:

> This began the transition of the U.S. from a low-tech workforce to a new, high-tech workforce, a problem we still struggle with today.
>
> You may consider "grow the economy and import deflation" a short-term strategy with long-term difficulties. However, in U.S. political cycles, you leave after eight years. So, whatever consequences are created become someone else's problem.[9]

The timing of the 1990s dot-com boom provided cover for the economic shift on the US side. On the Chinese side, as the country moved more toward capitalism, poverty decreased, and by 1996, the percentage of Chinese living in extreme poverty had been halved to 42 percent.

However, in the United States, capitalism wasn't benefiting because the country's major trade partner wasn't playing by the same rules. That led to losses of manufacturing jobs (around 5 million between 1997 and 2017, although likely some portion of those would have been lost to new technology or other trade partners). Innovation opportunities for small

businesses were quashed, as small and new businesses could not compete with this new partner playing by a different playbook. Central planning strengthened in the United States, as it continued to open up trade channels despite the glaring losses.[10]

During the second term of the Clinton administration, as US-China trade continued to rise, Congress began discussions about granting the country permanent normal trade relations (PNTR) status. Doing so would substantially elevate China's status on the world stage, and President Clinton signed it into law in 2000.[11]

The PNTR recognition by the United States paved the way and frankly shepherded China right into the World Trade Organization (WTO) in 2001, which provided rocket fuel for China's continued explosive growth.

From there, China has never looked back.

According to the Council on Foreign Relations, between 1980 and 2004, US-China trade grew from $5 billion to $231 billion. In 2006, China surpassed Mexico as the United States' second biggest trade partner after Canada.[12]

In 2008, China surpassed Japan to become the largest holder of US debt (in the form of Treasurys; around $600 billion at the time), and by 2010, it had leapfrogged Japan to become the world's second largest economy.

By 2015, the number of Chinese living in extreme poverty had fallen below 1 percent, an incredible turnaround from the nearly 90 percent rate half a century earlier. It's an incredible story of the dependence of this communist state upon capitalism and, in the case of the United States, a capitalistic country inching away from it.[13]

Trump and China

Even before becoming president, Donald Trump had China in his crosshairs. Being tough on China dovetailed nicely with his promise to fight for US manufacturing jobs and the "everyman," and became almost an obsession. Over the next several months and throughout the first year of his presidency, he mentioned China everywhere from rallies to Twitter. He lamented a potpourri of issues with China, including the trade deficit, intellectual property (IP) theft, and unfair trade practices, including subsidies that impaired price competition. Some of it, such as the trade

deficit, is of questionable concern, whereas some of it, such as IP theft and trade practices, is of valid and substantial concern.

Trump's predecessors had avoided dealing with the issues related to China. President George W. Bush had had to deal with the dot-com bubble and September 11 in the early part of his term and the financial crisis at the end. President Obama had inherited the financial crisis, and with his own policies leading to the slowest economic recovery on record, there was no economic opening for a crackdown on China. However, with President Trump being able to extend the economic recovery past what had been predicted and refuel the stock market, and with his no-rules style, he decided to try to undo what his predecessors had in large part created.

Intellectual Property

As Trump's focus on China's non–free market practices highlights what has caused much concern about China for decades, intellectual property comes to the forefront. And a key facet of intellectual property is property rights. True capitalism cannot exist without property rights.

When a country does not value property rights, it is impossible to value any facet of property rights, including intellectual property. A critical miscalculation made by the oh-so-smart-and-all-knowing government leaders was building up a partner that doesn't value the ownership of property. The issues that have arisen because of this are large in both size and scope.

Though the United States, which enforces property rights (some of the time, anyway), has been an innovation leader, the Chinese have been knockoff leaders. They know how to take someone else's innovation and produce it more cheaply and quickly, sometimes sacrificing quality. This intense focus on replication versus innovation means that intellectual property protection isn't in the Chinese vocabulary or business DNA. It can't be because it isn't a value of communism, which underpinned China's move toward capitalism, but never embracing full free market capitalism.

As the Chinese grew their manufacturing prowess to become the go-to manufacturers of consumer goods for companies worldwide, they have also never bothered to protect brands or other intellectual property.

Whether the product be clothing, beauty goods, accessories, light bulbs, home appliances, electronics, or, before digitalization, copies of movies and music discs, it is estimated that more than 86 percent of the counterfeit merchandise finding its way around the globe is produced in China and Hong Kong.[14]

That accounted for more than $400 billion worth of fake products produced in China and sold worldwide, which, in aggregate, is estimated to cost companies that own the intellectual property tens of billions of dollars a year in lost profits, many of which are US-based brands and companies.[15]

Though you may be tempted to think of this as only a luxury or big-brand issue, as a recent CNBC headline pointed out, “Counterfeit Goods from China Are Crushing American Small Businesses.” Whether by way of knockoffs of small business products sold on Amazon or Alibaba-owned outlets, small businesses are widely seeing their intellectual property misappropriated. In 2017, one small business owner, Tannia Ospina of Belle Threads in Hasbrouck Heights, New Jersey, told BuzzFeed News that she had found a photo of her daughter modeling one of her designs being sold as a knockoff on AliExpress—for a fraction of the price, of course. Chinese manufacturers have been using the internet to find and then copy all kinds of products from small business owners and resell them—sometimes even using the original photographs, as in Ospina’s case—on major sales platforms worldwide.[16]

The Rise of Shanzhai

The issue of property rights violations by Chinese manufacturers is not just for goods leaving the country but is part of what happens in and throughout China.

Replication of products and subversion of property rights are so ingrained in China that they have become part of its culture, and there is a term for it: *shanzhai*, which colloquially means “fake” or “knockoff.” But whereas “knockoff” is a pejorative term in the Western world, in China, it’s more than accepted. In the summary for the book *Shanzhai: Deconstruction in Chinese*, by Byung-Chul Han, a Korean professor of philosophy and cultural studies at the Universität der Künste Berlin, it says:

> *Shanzhai* is a Chinese neologism that means "fake," originally coined to describe knock-off cell phones marketed under such names as Nokir and Samsing. These cell phones were not crude forgeries but multifunctional, stylish, and as good as or better than the originals. Shanzhai has since spread into other parts of Chinese life, with shanzhai books, shanzhai politicians, shanzhai stars. There is a shanzhai Harry Potter: *Harry Potter and the Porcelain Doll*, in which Harry takes on his nemesis Yandomort. In the West, this would be seen as piracy, or even desecration, but in Chinese culture, originals are continually transformed—deconstructed.[17]

This is perhaps not surprising, because without enforceable property rights, it is too risky to create anything of your own from scratch. Why take the risk associated with innovation and development when you have no protection or ownership of what you create? It is less risky to build (or rebuild) off someone else's proven work. So, this *shanzhai* has overtaken China, much to the chagrin of those who have invested in building up valuable properties.

The examples are numerous and broad.

At the launch of a Dalian Wanda Group theme park owned by one of the wealthiest men in China, clearly fake *shanzhai* "Mickey Mouse," "Minnie Mouse," and "Stormtroopers," among other characters, were found wandering around and interacting with customers, prompting The Walt Disney Company (which owns such characters and their underlying intellectual property) to say it would take action.[18]

If you take a trip to China, you may reserve a room at a Haiyatt Hotel, which is not owned by Hyatt, or one of many "Peninsula" hotels, which, except for the few locations that the well-known Peninsula luxury chain owns in the country, is not affiliated with them—or, per reports, particularly luxurious.[19]

In 2006, Starbucks, which has a host of imitators throughout China, as well as its own growing business, won a multiple-year legal battle against "Xingbake," which sounds like "Starbucks" in Chinese and used a knockoff of the Starbucks logo.[20]

On the tech side, the transgressions by Chinese businesses include misappropriating trade secrets and other IP of the companies that they manufacture products for, often by requiring tech companies to share their technology with local business partners as a way for these foreign companies to gain access to local Chinese markets. Sometimes, Chinese-led tech IP theft is enacted via cyberattacks or espionage.[21]

So as Treasury Secretary Steven Mnuchin, US Trade Representative Robert Lighthizer, and Chinese officials worked to finalize a deal regarding

IP, from straight-out theft to cybersecurity issues and technology transfers, the unspoken question that loomed large was "How will China be able to change its culture?"

Imagine President Xi Jinping telling the manufacturers of hundreds of billions of dollars' worth of fake merchandise, skimmers who take authentic goods (or their rejects) and resell them in Chinese marketplaces, and technology thieves that their business models are dead and they need to find something else to do, which he has started to do. Now imagine the Chinese government actually enforcing and taking action on IP theft. Even if you understand that IP theft is wrong, you have to appreciate the difficulty of a nation telling its citizens that their valuable businesses are now basically worthless and fundamentally changing the *shanzhai* culture that has been developed over decades.[22]

Starting the Trade War

Though there is no doubt that intervention with China was necessary, the Trump administration's tactics were strangely big government, central planning oriented. From targeting various industries for tariffs but not others and having counter-tariffs ensue, both individual US consumers and businesses in targeted US industries bore the burden of the tactics.

Instead of initially going after Chinese IP registrations abroad, the ultimate irony in a country where *shanzhai* has become part of the culture, or going after foreign investments, the US government went back to picking winners and losers. That was right in its comfort zone but not exactly emblematic of "draining the swamp."

In January 2018, President Trump approved something called "global safeguard tariffs" on $8.5 billion worth of imports of solar panels and $1.8 billion worth of washing machines. The Peterson Institute for International Economics (PIIE) called the move "a relatively rare move historically even when the president is granted the authority to do so."[23]

That led to almost two full years of starts and stops on trade talks, economic wars, retaliatory measures, and related ups and downs in the stock markets. Overall, sophisticated investors never really believed much would come from a trade deal. They expected that although something

would eventually come on paper, it wouldn't truly deal with the critical issues related to US-China economic relations.

On the last day of 2019, President Trump announced that he would be signing Phase One of a trade deal with China on January 15, 2020, which was when the deal was, in fact, signed. The timing, in critical ways, couldn't have been any worse. After finally attempting to bring a heavy hand to dealings with China after decades, the final negotiations aligned with news of a new virus coming out of China—information that the Chinese were desperately attempting to downplay and conceal.

After finally starting to move the needle with China and with a long way to go, was the administration going to go against the Chinese culture of respect and saving face? Had the deal not been made, it is likely, although still conjecture, that the administration would have been more eager to be diligent with the intelligence information linking China and the virus.

Crackdown on Listings

Back in 2018, there was a lot of buzz around a startup coffee company in China called Luckin Coffee. Starbucks had dominated the market in China, which was traditionally one of tea drinkers, not coffee drinkers, and China had become Starbucks' second largest market. Success begets competition, and backed by venture capital firms and Singapore's sovereign wealth fund, Luckin Coffee, according to an article in Quartz, had opened more than five hundred tech-enabled small-footprint coffee outlets in China in less than a year from its founding.[24]

By the second quarter of 2019, Luckin Coffee was already tapping US equity investors for capital. Its investors included BlackRock (the same company that was advising the Fed on its unprecedented market purchases, as discussed in chapter 5), just a month before going public on the US-based Nasdaq stock exchange in a wildly successful IPO. The financial media touted Luckin Coffee as the next big thing and Starbucks' biggest rival. By the end of that year, Luckin Coffee reported that it had surpassed Starbucks in terms of the number of units in China, with more than 4,500, compared to Starbucks' 4,100 units.[25]

By January 2020, Muddy Waters Research—described on its website as "Muddy Waters produces three types of research product: Business fraud,

accounting fraud, and fundamental problems"—released an anonymous eighty-nine-page research report detailing the conclusion that Luckin Coffee was a "fundamentally broken business" that had engaged in fraud, detailing six red flags and five business model flaws. It also announced it was shorting Luckin Coffee stock.[26]

Though initially some other well-known investors didn't give the report credence, Luckin Coffee then announced that several employees had inflated revenue and fabricated sales transactions to the tune of more than $300 million, prompting the stock price to fall by more than 80 percent and wiping out $5 billion worth of stock value. Trading in the stock was halted. The CEO and COO were ultimately fired the following month. The company gave up its initial appeal and was eventually delisted from the Nasdaq near the end of June 2020.[27]

Carson Block, the founder and CEO of Muddy Waters Research, said on CNBC, "This is again a wake-up call for U.S. policymakers, regulators, and investors about the extreme fraud risk China-based companies pose to our markets," and asserted that all Chinese public companies are an "extreme fraud risk." "China is to stock fraud as Silicon Valley is to technology," said Block.[28]

That shouldn't have been news. Back in 2010, securities regulators had been probing massive fraud on the part of Chinese-listed companies. TheStreet had done an analysis and found that in particular, companies that had gone public via reverse mergers (meaning that they combined with a company, usually a shell entity, that was publicly trading rather than going through the traditional IPO process to list their shares) were more likely to be allegedly fraudulent. TheStreet's analysis showed that "Investors in the U.S. have suffered related losses in excess of $34 billion. . . . That total adds up all the market-cap losses for 150 stocks that appear to have been used to bring Chinese companies to U.S. exchanges." The 2010 report also discusses Peter Humphrey, a corporate investigator and due diligence expert based in Beijing. It said that, at the time, "Humphrey estimates that as many as a third of Chinese companies listed on major U.S. exchanges—the Nasdaq, Amex and New York Stock Exchange—are likely reporting fictional profits."[29]

As noted by Reuters, "The SEC has been locked in a decade-long struggle with the Chinese government to inspect audits of U.S.-listed

Chinese companies, and its accounting arm is still unable to access those critical records."[30]

But as of October 2, 2020, 217 Chinese companies were listed on US exchanges, with a total market capitalization of $2.2 trillion. Thirteen of those companies were considered "national-level Chinese state-owned enterprises" by the US-China Economic and Security Review Commission.[31]

A bipartisan bill sponsored by Louisiana Republican senator John Kennedy and Maryland Democratic senator Chris Van Hollen sought to crack down on the fraud, an outgrowth of a recommendation made by the President's Working Group on Financial Markets, and, as reported by the *Wall Street Journal*, was "intended to protect American investors from what the administration has described as risks posed by Chinese companies." The bill included a provision that Chinese-listed companies would be forced to delist if they didn't comply with specific measures, such as having audit work papers inspected for three years by US regulators and having companies certify that they are not controlled by the Chinese government. Companies not yet listed would need to comply with the measures up front.[32]

The bill passed unanimously in the Senate, and a companion bill was introduced in the House by California Democratic representative Brad Sherman, who served on the House Financial Services Committee. The Holding Foreign Companies Accountable Act passed the House on December 2, 2020.[33]

Central Planning and the Bogeyman

While Congress was dealing with the financial markets, the executive branch was looking into other issues. The Trump team declared a "national emergency" on the Chinese-owned and highly popular social apps TikTok and WeChat. Though there were clear demonstrations that TikTok could be used for spying, the move did seem more like the kind of thing China would do than the United States. The American Civil Liberties Union (ACLU) pushed back, saying that it was a violation of speech and stating, "This is another abuse of emergency powers under the broad guise of national security."[34]

Under pressure from the Trump administration, which was going to block downloads of the app in the United States and which also said at one point it wanted a transaction finder's fee, an unprecedented meddling of government into dealmaking, in September 2020, TikTok reached a partnership agreement with Oracle and Walmart to assuage the administration's concerns. However, a US district court judge granted a preliminary injunction against the block and, as of the date of the election, was waiting to hear arguments. That made the outcome of the initially negotiated deal unclear.[35]

Though there are some concerns about Chinese-domiciled apps and technology, the Trump administration's policies remain consistent with big government creating a "bogeyman" of sorts to infringe on rights in the name of safety.

In fact, around the same time the TikTok drama was unfolding, the *Wall Street Journal* reported that Anomaly Six, a US defense contractor with military ties and a background in intelligence, had "embedded its software in numerous mobile apps, allowing it to track the movements of hundreds of millions of mobile phones worldwide, according to interviews and documents reviewed by The Wall Street Journal." Per the report, the company had software development kits (SDKs) that harvest data embedded in apps, which weren't disclosed in privacy policies. The report further said that "Anomaly Six is a federal contractor that provides global-location-data products to branches of the U.S. government and private-sector clients. The company told The Wall Street Journal it restricts the sale of U.S. mobile phone movement data only to nongovernmental, private-sector clients."[36]

I guess, then, that privacy violations and "spying" are okay with the US government—if you are a US company and specifically a US defense contractor. That sounds more like a policy that would come out of China, but here we are.

The Conscious Uncoupling of the Supply Chain

As China tried to build up its market heft, it had another problem to worry about: its manufacturing prowess. The several-years-long "trade war" was a catalyst for many companies to look at their sourcing from China. The

reality is that China isn't an emerging market anymore; it has emerged. With its rising prices, intellectual property and cybersecurity issues, and a poor human rights record, it was the right time for US companies to diversify their supply chain. The trade war gave US companies an excuse—and a kick in the butt—to explore supply chain diversification.

Southeast Asia and India seemed to be big recipients of the fallout, with Vietnam, Malaysia, and others making strides as potential new manufacturing hubs. Apple is one major manufacturer that was reportedly moving potentially billions of iPhone production business to India in conjunction with its vendors.[37]

Of course, the administration also tried to recapture some business back to the United States, but that was not without issues.

When Government Goes Away, Capitalism Will Play

Rewind to the early days of the pandemic, and there were runs on toilet paper, hand sanitizer, and disinfecting wipes. Senator Marco Rubio took to the *New York Times* opinion pages to lament the breakdown of US supply chains and US consumers' overdependence on the Chinese for everything. On social media, people showed memes of empty shelves in grocery stores and big box retailers, comparing capitalism to socialism. The truth is that under socialism, store shelves always look like that. But within a few months, toilet paper and cleaning products weren't that hard to find in the United States.[38]

Was it some kind, benevolent, all-knowing government force that produced this miracle and shift in toilet paper availability fortunes? Did the US government's obsession with China create excellent policy? No—it was capitalism. As there was more demand for a product, the market stepped up to fill that demand. Go figure.

On the toilet paper side, within a short time in March, toilet paper was sold out at 70 percent of "U.S. grocery stores (including online sellers)." Americans were very concerned about their backsides' fate during the pandemic, which seemed odd but nonetheless happened. However, within a few months, as producers and retailers alike realized the demand, toilet paper was back in stock and available. The temporary blip in supply also led Americans to be problem solvers themselves and look to alternatives.

US bidet sales (my personal recommendation, as an aside) also spiked in response to the toilet paper grab.[39]

For the sanitizing products, several smaller players entered the fray when the big companies failed to meet demand. So although some companies may have depended on China, the EPA identified hundreds of disinfectant products that work to kill SARS-CoV-2, and a quick internet search showed that you could use easily found ingredients to make your own as well, as detailed by several articles, including one on Quartz.[40]

What helped was that the government got out of the way. CNN noted that the massive demand increase led the FDA to "temporarily ease restrictions on manufacturers looking to make sanitizer, outlining that 'the agency does not intend to take action against manufacturing firms that prepare alcohol-based hand sanitizers for consumer use.'"[41] It is hardly magic that making it easier for the market to be free, not some government policy, helped it stabilize.

It wasn't China holding back small business opportunities; it was government regulation.

The 2020 Relationship: Holding Up a Mirror

As 2020 began, the US government's history with China was a perfect example of a long history of central planning officials thinking they know what is best and, when they don't, not having to bear the consequences.

The US government had courted China for a very long time, thinking it was to its own benefit when in fact it was far and away to China's advantage. The consequences were numerous, severe, and consistently in need of addressing.

The US government sold out capitalism and small business to a partner that was moving toward capitalism but didn't value its core tenets.

By the time the US government finally got around to addressing the problem, it had already expended so much political capital that it created a blind spot on intelligence and had the United States trying to play good cop, coordinating and ultimately sending nearly eighteen tons of PPE that could have been used in the United States to China.

Who has benefited the most from the United States' move away from capitalism to court a partner that couldn't be worthy because they

foundationally held different values from those that are the backbone of capitalism? Ironically, the Chinese people did. The United States' willingness to open up relations and trade with China, including legitimizing them vis-à-vis the World Trade Organization, has helped almost eradicate extreme poverty in China over the course of a few decades—from nearly 90 percent in 1976 to less than 1 percent.

The February 2020 Hurun Global Rich List revealed that Greater China, including Hong Kong and Taiwan, had surpassed the United States in the number of billionaires minted in the previous year, with the Chinese generating them recently at a rate of three to one versus the United States.[42]

Through its policies and actions, the US government didn't help capitalism here as much. People lost jobs and companies lost business to competitors that weren't playing fairly in the market, and many companies were blocked from the Chinese market entirely. The same thing goes for lost profits and other value due to Chinese IP theft. Following the US government's lead, US companies overvalued supply chains and depended upon a market that, at its foundation, wasn't dependable.

Yes, the United States saw growth. But growth needs to be evaluated based on its costs and overall return on investment. So, at what cost was this relationship? Cheap goods and low inflation were swapped for subversion of capitalism, loss of jobs, holding down wages, suppressing innovation, reducing opportunities for small business in a fair playing field, intellectual property theft, and a government that moved away from free markets toward central planning. It strengthened the government and weakened free markets.

Adding to the costs, as a buyer of US debt, China's growth allowed the US government to undertake another trillion dollars' worth of sloppy, unaccountable spending.

Plus, today China gives the US government cover as the bogeyman or enemy to justify the taking of more individual rights.

Over and over again, China has exposed, albeit unintentionally, the weaknesses of US politicians who think they know what is best. It has been an ally in the creation of the too-big-to-succeed status of the US government.

Ultimately, there is a bit of trading places going on. As China has become more like the United States, the United States has become more like China. The United States has moved away from free markets, while the

world's most powerful communist state has become critically dependent upon moving closer to capitalism globally.

The Chinese Dream Versus the American Dream

As a side note, the "Chinese Dream" won't be fully realized, either. Even though China has moved toward capitalism, its inherent unwillingness to go far enough along the spectrum to protect the individual and his rights will be its downfall.

Unless China enacts significant reforms to individual rights and their underlying culture, China will likely never be the world's reserve currency, as many fear. When a fiat monetary system exists (one backed by faith in a government system), who will trust a country that flouts fundamental rights (whether it is the Uyghurs or intellectual property rights), doesn't allow free speech, knowingly engages in fraudulent financial reporting, and carries out other nefarious endeavors? Not to mention the country's unleashing a virus on the world along with a cover-up that caused critical time to be wasted in containing it and brought financial ruin in its wake.

Whether it is the Uyghur situation or the Hong Kong conflict, continued rights violations, which are consistent with and emanate from China's centralized, collectivist system, will continue to create separations between the country and its partners, including the United States.

China will likely reap its own central planning failure, as its one-child policy leaves behind a cadre of young men with no marriage prospects, among other issues, including, per a report from the Chinese Academy of Social Sciences, a declining population. In fact, not only will it be going from one of the highest birthrates in the world to one of the lowest, but as soon as ten years from now, the demographics will shift to a point where the number of pensioners will be double that of the taxpayer base. Projections show that by 2050, around a third of the Chinese population will be over the age of sixty-five.[43]

In the meantime, the United States needs to recapture its focus on capitalism and individual rights, but it won't be easy. The cracks in the United States' economic foundation may be covered with paint, but they are there.

To do that, the government needs to get out of the way and stop trying to act like China. The result of President Trump's trade wars? In July 2020, the United States' trade deficit rose to its highest level in twelve years.[44]

Chapter 13

Decentralization Versus Centralization

How to Prevent Further Central Planning Attacks on Small Business

The government war on small business is a series of battles that are part of a greater war of decentralization versus centralization. The government and its allies, special interests and big businesses, want to concentrate power and seek to destroy anything that stands in their way.

These attempts at centralizing power have been inhibited mostly where individuals have stood firm on their individual rights, not just with words but with actions. There has been a movement toward individualism and decentralization that has been supported and accelerated by access to robust technologies.

The second amendment is a strong example of where individuals have pushed back against central powers. The more the government has threatened to take away second amendment rights, the more individuals have purchased guns and ammunition. Individuals have stood firm on decentralizing power and addressing the concerns that they cannot trust centralized local and national institutions with their protection—and that they may need protection from those powers as well.

There are other examples of individual pushback against those with centralized powers. There has been a repudiation of central banking and Wall Street via cryptocurrencies and other decentralized finance initiatives. There has been a rejection of the traditional structure of the corporate job via the gig economy, enabling flexible, self-driven work for 59 million people in the United States alone. Small business and capitalism also embody decentralization.

In 2020, the decisions made by centrally planned primary and secondary schools accelerated families opting out of them, pursuing education options from the flourishing private schools we discussed in chapter 10 to pod learning and homeschooling.

The embracing of decentralization is a threat to centralized power, and the government and their crony beneficiaries do not want to see this happen. They will do whatever they can to try to damage, stop, and reverse these trends and actions.

Centralizing economic power is a priority for central planners, for obvious reasons. With half the economy in the hands of decentralized small businesses—an even larger percentage when you include the gig economy—destabilizing and rolling up those independent economic entities is a priority for central planning. The playbook, as laid out by current democratic policies at all levels of government, has unfortunately been effective: Kill a bunch of small businesses via prolonged shutdowns. Get their employees moved to big business or reliant upon a government handout. Hit the small businesses that survive with restrictive legislation from raising the minimum wage to reclassifying gig and independent workers as employees. This will put even more decentralized businesses and gig workers out of business, forcing those workers again into big businesses, where unions can become more powerful, or back onto the government dole. Propose UBI as "compensation" for all of these tremendous losses—which will undoubtedly be blamed on technology but will really be the function of central planners using slimy tactics to subvert rights and do whatever they can to stop decentralization from thriving.

There are all kinds of arenas in which we need to stop the further centralization of power, from reining in the Fed to rejecting more government involvement and supporting more capitalism and decentralization in areas such as health care and education. Social Security needs to be restructured so individuals can regain full control over their retirement planning. We need to decentralize politics and break apart the duopoly of the two-party system in the United States, enact spending reform, and more.

However, as the discussions of these endeavors could be another volume in and of itself, I will stay focused below on a few issues that are front and center as the big issues the Democrats, their allies, and other beneficiaries of central planning are pushing currently that directly impact small businesses and capitalism.

Minimum Wage Laws

One economic ruse that progressives in particular have long been in favor of has been the minimum wage. Many states and localities, particularly blue cities and states, have been rolling out higher minimum wages in recent years.

The Biden administration, in concert with many progressive allies, came out of the gates proposing to increase the federal minimum wage to $15 per hour, more than double the current level on the books. While it is easy to fall into the trap of believing that this is a good thing for workers, it is not, nor is it a good one for small businesses. It is a diversionary war tactic in the quest to roll up and centralize economic power.

Thomas Sowell, in *Basic Economics*, talked about the reality of minimum wages and related laws, saying:

> Making it illegal to pay less than a given amount does not make a worker's productivity worth that amount—and, if it is not, that worker is unlikely to be employed. Yet minimum wage laws are almost always discussed politically in terms of the benefits they confer on workers. Unfortunately, the real minimum wage is always zero, regardless of the laws, and that is the wage that many workers receive in the wake of the creation or escalation of a government-mandated minimum wage, because they lose their jobs or fail to find jobs when they enter the labor force.[1]

I believe that minimum wage laws are a violation of the Constitution. Not dissimilar to the issues around the gig economy, discussed below, employees and employers should be able to make an agreement on wages and other employment issues without government intervention.

Most people who believe in a minimum wage or raising the minimum wage come from a good place. But as I have said many times in this book, good intentions don't produce good outcomes. When your good intentions don't take unintended consequences into account, they usually end up adversely impacting the exact people they're purporting to help. That's a key problem with artificially mandated wage increases; they lead to no greater spending power and fewer jobs for those with the fewest skills. It's also a violation of individual rights.

Minimum wage laws were introduced in the United States by progressives in the early 1900s specifically to keep low-skilled and immigrant labor out of the workforce. The laws have the same effect today. Whether they are replaced by technology, more skilled labor, or a combination of both, the higher the minimum wage, the bigger the barrier it is for those with few skills to enter the workforce. Being kept out of that

first job has a cascading effect on not being able to learn on-the-job skills and progress to higher-paying jobs. It keeps both young and vulnerable people out of the workforce altogether for long periods of time—perhaps forever.

Additionally, always left out of the discussion around minimum wage is the effect on entrepreneurs and small businesses. Nobody guarantees the wage of small business entrepreneurs. They risk their capital, time, and money, without any guarantee of pay or outcome. Many small business owners work exceptionally long hours and endure enormous amounts of stress, and that was before layering on having to deal with mandated government shutdowns.

Why should small business owners risk their money and be forced to pay someone else more than they are able to earn themselves? That concept is nonsensical and against the basic tenets of free market capitalism and American opportunity.

I have heard people say, "Well, if you can't afford to pay a living wage, you shouldn't have a business." I throw that right back: if you don't think that a business compensates you enough to live on, you shouldn't take the job. Nobody owes you a job. It should not be a business's responsibility to figure out how much individuals require to live on and meet their needs; that's a Marxist nightmare. Both employers and employees present an opportunity, and, if there's a match, a job and payment are traded for experience and time. There's no need for you, me, or government to be involved.

I will also suggest that most of the calculations of "need" rely on a forty-hour workweek, and I can tell you that most people starting out as entrepreneurs work at least 50 to 100 percent more than that. If you are struggling, you should not be expecting to work forty hours a week. Here's an inconvenient truth: if you seek to support yourself or others on a minimum wage job, you will have to work more than forty hours per week and/or take a second job, live with a roommate or family member, make sacrifices, and so on.

Though nobody "deserves" a job (the petulant cry of people who are too spoiled to know what real hardship is), what people not only deserve but have the right to is the opportunity to negotiate and accept what works for them without government force; you know, that whole individual rights thing.

The media feeds this problem because they tend to focus on the biggest fraction of a percent of businesses instead of the 99 percent–plus of small businesses and entrepreneurs. We hear about Walmart when around half of the working population is employed by small businesses. So although I disagree with the premise of minimum wage increases, I challenge those who want to penalize a handful of big companies with a change that will affect millions of small businesses that would also have to abide by the same legislation. As discussed in the cronyism chapter, big businesses actually love these laws, because they end up hurting or eliminating their competition. Walmart can afford pay increases, whereas a startup retailer trying to bring goods and jobs to a struggling area of a city cannot.

I will also remind you that you can actively support the idea of businesses paying better without having the concept stringently codified into law, let alone federal law, which means that the same rules apply in New York City as in Lafayette County, Arkansas—no exceptions.

Having to pay a higher minimum wage creates many challenges for small businesses. It may mean that a company has to wait longer to hire a new employee, making it more challenging to grow the business and riskier to start one. It can also lead to a small business owner hiring fewer employees overall. Raising the minimum wage typically means that those earning above the minimum wage want a bump, too, noting the value of their skills above those of the minimum wage earner. As the costs accumulate, the small business owner will bear the cost differential and take home less pay. Ironically, after adding up his or her time, it may mean that for years an entrepreneur will take home an amount less than the minimum wage on an hourly basis.

Though raising the minimum wage may not stop a large company from opening a business, it creates a pause and a bigger challenge for a food truck operator, small retailer, or other entrepreneurial startup with limited capital or a smaller-revenue business model. The minimum wage creates a barrier for those without access to capital to take advantage of capitalism and decentralized opportunities to lift themselves up, create their own destiny, and generate equity, a critical component of generating wealth.

Are those who are concerned about minimum pay also planning to guarantee all small business owners' incomes? We certainly shouldn't, just as we shouldn't for anyone who works for a small business—or any

business, for that matter. Appropriate compensation is what the market sorts out if allowed to operate freely.

The minimum wage hurts those most in need of getting into the workforce by keeping them out of the workforce. Thomas Sowell said in a video about his book *Knowledge and Decisions*:

> There is no inherent reason why low-skilled or high-risk employees are any less employable than high-skilled, low-risk employees. Someone who is five times as valuable to an employer is no more or less employable than someone who is one-fifth as valuable, when the pay differences reflect their differences in benefits to the employer.
>
> This is more than a theoretical point. Historically, lower skill levels did not prevent black males from having labor force participation rates higher than that of white males for every US Census from 1890 through 1930. Since then, the general growth of wage-fixing arrangements: minimum wage laws, labor unions, civil service pay scales, etc. has reversed that and made more and more blacks unemployable despite their rising levels of education and skills: absolutely and relative to whites.[2]

"In short," he continued, "no one is employable or unemployable absolutely, but only relative to a given pay scale." Once again, the progressive social justice, centrally planned outcome has fared worse than what a free market could otherwise provide.

To that end, we have also predictably seen technology take over jobs. From ordering kiosks to robots that flip hamburgers to entire self-serve concepts, many businesses will find a way to substitute technology for jobs because they aren't in business to provide jobs. Companies offer a job opportunity only when the person they hire can provide value, and as with any other investment, there is a cap on the cost of that. For example, Flippy, a robot burger flipper being implemented at Dodger Stadium as well as other locations, costs approximately $3 an hour, has no associated taxes or benefits, and isn't unionized (at least not yet!).[3]

In addition to technology, we have seen the effects of outsourcing jobs overseas. However, that didn't happen in a vacuum; it happened in part because of mandates on wages and expenses.

In areas where wage hikes have been mandated, the effects have led to closures. *Restaurant Business* conducted a survey in 2019 (a year before the impact of COVID on the industry) that found that "Nearly 1 in 10 restaurateurs in areas with a recently increased minimum wage have closed an operation since the cost hike . . . 43% of establishments in areas where the minimum was raised have eliminated positions, and 64% have reduced employees' hours."[4]

A higher minimum wage does not create more jobs, more opportunities, and more growth. Opposing legislation like this helps to quell government interference in individual rights and is an important way to ensure that they don't price jobs, particularly entry-level jobs that put people on the path to job growth, out of the market with legislation.

Allowing minimum wage increases to continue will keep people out of the workforce. Even the CBO estimated that the Biden federal minimum wage increase proposal could cost 1.3 million American jobs. Where will those workers go, and what will they do for work? They will first go on the government dole, followed by a cry for more UBI, as discussed below.

Protection of Gig Workers, Independent Contractors, and Entrepreneurial Flexibility

As technology, work, and opportunities have changed, the ability for people to pursue a livelihood in new, flexible, and decentralized ways has emerged. A big piece of this is via gig and independent contractor work structures.

In the United States, which is supposed to be the land of freedom and opportunity and by extension freedom to pursue opportunities, an estimated 59 million entrepreneurs have taken up work as freelancers and independent contractors in the gig economy or as part of the way they run their independent small businesses. While independent contractors have existed for decades, in capacities ranging from staffing on movie and TV sets to those who support a variety of small business clients, technology has created new gig workers who provide services ranging from transportation to grocery pickup to dinner delivery and more.[5]

Why would anyone want to be this kind of an entrepreneur and not a full-time employee? Gig work can provide flexible ways to earn money on your own time and terms—you know, freedom and choice! Across myriad industries, everyone from moms with kids to students to partially retired individuals to artists and entrepreneurs funding other projects enjoys setting their own hours, working as often as they want, providing a customized experience, and being their own boss. In other industries, project-based work is the norm.

With all of the benefit to the economy, all of the willing participants, and all of the good outcomes for consumers, who get more choice and new

products and services, you would think that the government would want to make it as easy as possible to do this kind of work and do everything it could to help these folks succeed, right?

Wrong.

This freedom and decentralization are threats to central planning. So predictably, those freedoms came under attack by government.

Through a slew of centrally planned laws, regulations, and requirements, the government actively makes it more difficult and expensive for people to get into business, even the simplest of businesses. Plus, ongoing requirements and shifting laws make it harder to compete in the market once they are in business.

The attack on gig work began in California, the test ground in recent times for central planning rule, with a state law called AB5. AB5 was sponsored heavily by unions and shepherded by Assemblywoman Lorena Gonzalez. It was sold as imposing better regulation on big companies such as Uber and Lyft to help drivers. This is the oldest trick in the progressive government and central planning book. As Ronald Reagan famously said, “The nine most terrifying words in the English language are: I’m from the government, and I’m here to help.” By saying it is trying to help workers get more benefits or regulating big and bad companies, government wins the hearts of people who think that politicians always have good intentions—or worse, that good intentions lead to good outcomes. However, the central planners aren’t trying to help you; they are trying to help themselves and their cronies.

Via AB5—and interfering with the Constitution—government created roadblocks to work. Even if you want to work for a company independently, you cannot. Because laws and regulations create more costs around employees in terms of taxes, insurance benefits, compliance, and other issues, it makes the cost of taking on workers prohibitive for many employers, particularly small ones. These businesses are not financially able to hire people at all, and thus, such regulation kills jobs. It also takes away your freedom as an individual to work how you want.

This started because the unions lose out when so many workers can work freely and aren’t forced to pay union dues. Specifically for AB5, the taxi unions were angry that they were subject to all kinds of government rules and regulations, and accordingly costs, that Uber and Lyft were not. Instead of undoing the free market–interfering rules that were causing the

issues, the route was taken to punish more businesses with more rules. Not only Uber and Lyft were punished, but also every single independent worker in the state, along with the businesses with which they worked.

Though unionizing can serve a purpose, unions tend to run into the same issues as other centrally planned groups. If unions existed without force and control and allowed for freedom and choice of others, they would be more tenable. But they fall victim to the pitfalls of human nature, looking to enrich their power and strength under the guise of helping others and standing in the way of freedom and choice. If something is the right thing to do, to participate in or be a part of, you don’t need to be forced to do it.

Though I am incredibly sympathetic to the frustration of taxi drivers toward Uber, the reason they are frustrated is that they have too much regulation themselves. They have had to pay insane medallion and licensing fees and higher insurance and jump through hoops. All of that hurts their economics when other companies and decentralized workers that aren’t subject to the same regulations—and the costs that come with them—enter the market. However, the way to level the playing field isn’t to inflict more restrictions and regulations on everyone but to lower them for everyone! This isn’t suggesting eliminating all regulation (most people would likely agree that a background check is a good thing for drivers), but the further away from the free market things get, the worse they become.

Others will argue that the companies aren’t providing medical insurance to contractors. Well, I would first ask, why is health care even tied to your job? Solve the problem (in this case, reduce regulation to allow for more free market medical insurance options), not the symptom. Additionally, many people don’t need medical insurance from their job. They may receive it from a spouse or a parent. They may receive it through another job or an independent marketplace. Whether or not you think companies should offer medical insurance, why are you advocating for forcing people who don’t want or need it to have it based on your thoughts about what they should have? If they want to take the gig without it, butt out.

Back to AB5. As noted, though that legislation wouldn’t have been okay if it had focused only on Uber and Lyft, it turns out, unsurprisingly, that it didn’t stop there. Under AB5, independent writers, caterers, cleaning crews, stylists, photographers, and myriad other professionals in a slew of

industries who work heavily as independent contractors instead of employees found themselves out of work entirely.

Note also that the AB5 law standard for being an independent contractor is different, and far more stringent, than the IRS's standard on the same issue.

Independent contractors and freelancers are purely entrepreneurs who want the freedom to work when and how it aligns with their lives, goals, and objectives. Whether it is a mother who has only a small number of hours per month when she can work, a student pursuing a side hustle while studying, or a creative who just likes the choice and flexibility of freelancing, they are a large and essential part of the economy. No politician should be able to say, "No, you can't work." It is an unconstitutional abuse of government power and individual rights, the same type of unreasonable control that so-called democratic socialists want to enact. My work, my choice.

AB5 is the ultimate example of the government getting away from protecting individual rights to pick winners and losers. And although it is always sold as helping the little guy, the real benefit goes to the big guys. It goes to the big companies that can afford to pay for more benefits, insurance, licensing—whatever. It goes to the unions. And the unions ultimately flex it to cement the power of the politicians. So pretty much everyone except the very littlest guys, including the littlest guy of them all—the individual—are helped. Power is concentrated. Decentralization of work is disrupted—in a bad way.

Paved with Good Intentions

AB5 is the perfect example of people not understanding the unintended consequences of legislation. What is portrayed as "helping" usually limits freedom and choice. But as the saying goes, the road to hell is paved with good intentions. On Twitter, under the hashtags #AB5 and #RepealAB5, there are staggering stories about how the law quickly destroyed livelihoods.

Kevin Kiley, the California assemblyman who led a vote to try to repeal the law, shared some stories of the aftermath. One constituent wrote, "I survived cancer and had 36 surgeries while raising kids, and still live with a

traumatic brain injury. I can’t work a regular job. But with the support of my family, I was finally chasing my dreams as a writer, poet & Voice Over actor. Now #AB5 won’t let me.”

Another story he shared was “The total cost of daycare would be $3,000 a month for both my children if I have to give up my freelance career, as #AB5 mandates. More importantly, the thought of spending less time with my children during their most formative development breaks my heart.”

The stories go on and on. Unfortunately, Assemblyman Kiley’s call for a vote to repeal the law was struck down. Kira Davis, editor at large at RedState and one of the many individuals who worked tirelessly to try to get AB5 repealed, said:

> It is grossly disappointing that the California assembly would not allow a repeal bill to be heard, and furthermore refuses to suspend the enforcement [of] AB5 while the state studies the massive problems surrounding the bill and how to fix it. . . .
>
> Lorena Gonzalez and her cohorts in Sacramento have willfully turned a blind eye to the suffering of independent contractors across the state. They have no care for the unprecedented pain and job loss their ill-conceived bill has caused for the average CA citizen.[6]

The law went into effect on January 1, 2020, a massive blow to many workers who thereby lost their jobs before the pandemic even came into play.

The blowback was fierce, but instead of scrapping the law, its creators tried to amend it via a list of which industries it was acceptable to work in as a contractor in the fall of 2020. It was yet another example of government picking winners and losers for its own purposes and benefit.

If you live outside California, you might not feel empathy for the plight of the freelancers in the state, but it has also become a national issue. The same language that was used in AB5 was, according to Kira Davis, sneaked into federal legislation that passed the House of Representatives called the Protecting the Right to Organize (PRO) Act.

This law, which is heavily pro-union and seeks to repeal right-to-work laws, also tries to do away with freelancing. This awful legislation threatened the entire backbone of the US economy even before the COVID government black swan hit. Davis said, “With the PROact looming on the horizon for the country at large, California artists and freelancers are not giving up this fight.”[7]

Despite many companies’ complying with the AB5 regulation, Uber and Lyft, among others, decided to fight back. In August 2020, the California

attorney general obtained a court order requiring ride-share companies to hire drivers as employees immediately or suspend operations.

Uber and Lyft appealed the decision and received a temporary stay.

Representative Kevin McCarthy of California, at the time the Republican minority leader of the House of Representatives, issued a press release against AB5 and California's efforts. Among other things, he said:

> AB 5 does not work, and it never has. Now, the two largest ridesharing companies in the United States, both of which were founded and are currently headquartered in California, are prepared to leave the state because Democrats refuse to fix their terrible error, even though it is crushing gig economy workers and the people who use these services.
>
> For months, gig workers have vocally expressed their utter opposition for AB 5, but sadly, their cries of frustration have fallen on the deaf ears of Sacramento Democrats who have been unwilling to reverse course. AB 5 is not only hurting these drivers—nearly 90 percent of whom are expected to lose their jobs—but countless Californians with limited transportation options who rely on these services to manage traveling to work, school, and doctor's appointments in the midst of a pandemic.
>
> California is known as the land of innovation, technology, and creativity—our movie industry is based here, as is Silicon Valley. Yet, day after day, companies are choosing to take their business elsewhere because Sacramento's liberal policies, like the failed high-speed rail; the inability to get residents the water they need and deserve; rolling blackouts or brownouts; the worst homelessness problem in the country; and now AB 5, have changed the very foundation that draws people to the Golden State.[8]

His statement also included some statistics and information that a poll conducted by Global Strategy Group had found that drivers had consistently said they wanted to remain independent contractors as opposed to becoming employees by a four-to-one margin, AB5 staying in effect would mean that 90 percent of drivers would lose the ability to earn from their platforms entirely, and that 38 percent of Lyft rides start or end in low-income neighborhoods with limited travel options, which would impact lower-income riders vis-à-vis affordable transportation options. So who is being helped?

Think about the concept that someone who decides to drive for Uber one day because he or she has some free time and wants to earn cash has to be an employee by law in America. Is your babysitter going to be your employee? Do you become an employee of a flea market when you set up a table to sell your old clothes there? The entire concept is a centrally planned nightmare in direct opposition to the American Dream.

Importantly, this is not a red or blue choice; it's a green (money/financial) choice. It's freedom of choice, and it's why the backlash against AB5 was from a bipartisan group of individuals.

Uber and Lyft saw a big victory on Election Day 2020 when Proposition 22 passed, with the people of California voting not to make delivery and ride-share drivers employees, thus preserving their independent contractor status. However, the big guys took care of their own and didn't bring some of the smaller contractors in other industries along for the ride. It still left many gig workers in limbo due to AB5 and the PRO Act a concern nationally as 2020 closed out.[9]

Unfortunately, although the PRO Act technically died when Congress changed over, it would be brought back from the dead. The law was billed as "pro-worker," despite suppressing worker freedoms and likely killing seven to eight figures' worth of jobs. Still, President Biden had been partnering with unions since before his inauguration with the intention of trying to get the legislation passed within the first hundred days of his administration.

This is central planning again saying that they know what is right for you and they want to limit your freedoms by codifying it into law. Of course, this is only lip service, and the real beneficiaries will be those with power. If they succeed, it will be a huge blow to decentralization and capitalism, to small businesses that rely on gig workers, and to gig workers who want to remain flexible.

What will happen to the economy if the PRO Act passes into law? Just as the playbook has laid out, small businesses will go under. Their market share will be taken by big companies, which will become more powerful. Some of those will have unionization. The unions will become stronger, and they will all support their crony politicians who enabled this outcome.

The UBI Shell Game

In January 2021, Andrew Yang, the former technology entrepreneur and 2020 Democratic presidential candidate, declared his intention to run for mayor of New York. His mayoral platform was ported over from his national platform, which includes "giving" people their own—or someone else's—money through UBI.

Universal basic income, or UBI, was de facto pilot tested during COVID, as the COVID relief bills mandated sending non-means-tested checks out on multiple occasions. It was a way to give people a taste of

what it was like to receive a check, with the very inaccurate perception of no strings attached.

UBI is ultimately a shell game that makes no sense. It "guarantees" income from a government that produces basically nothing. Sure, the government could print more money out of thin air, but then it just makes every dollar less valuable and goods and services more expensive in real terms. If we have learned one thing from underfunded liabilities, such as those plaguing Social Security and many state pension systems, it's that a program should never, ever guarantee a benefit. Never. It's guesswork and always ends up a losing proposition. Anytime benefits are guaranteed, the money eventually runs out, so why double down on an unsound practice?

UBI is a fundamentally flawed concept. It is not needs-based or means-tested; it is universal, meaning, for everyone. For those who have jobs or other means of deriving income, UBI is a costly way to return your own money back to you. Why would you need the government to reissue back to you the money you have paid it? It's nonsensical, it's inefficient, and it's expensive. You pay *x* dollars to the government, it collects a toll, and then it gives you some of your money back? Why is that something for which anyone would ever advocate?

It's the same misunderstanding made by those who think that their tax refund is a government benefit they get, rather than an interest-free loan that they have given the government all year. Giving a dollar to the government and having it hand it back to you several months later isn't a benefit.

If government believes, as I do, that people should keep more of their own money, it does not need to be an intermediary in the process—government can just lower taxes on individuals to begin with.

For those who are struggling financially, too many ineffective and inefficient programs (which, by the way, need to be streamlined) already exist. There need to be fewer, more effective programs, not more programs.

Looking at the specifics of UBI requires examining its funding mechanism. Some UBI proposals would be paid for via a value-added tax (VAT), which is a complex system where taxes are added on at every step of the supply chain, from raw materials to final consumption. This adds a lot of inefficient administration into the market, dragging down productivity. As you have seen with other regulation, it would create an outsized burden for small businesses to add staff to comply with this additional administration, making them less competitive than their bigger competitors.

As VATs reside under government purview, there's also the opportunity for the government to offer rebates and incentives under certain circumstances, and history shows us that it will always end up favoring big businesses.

Additionally, with around 70 percent of the US economy being consumer spending based, if everything becomes more expensive because of taxes, that means inflation; your dollar now buys less. Like every other "good idea," UBI ends up being a tax on those less fortunate; they will bear more of the burden of the costs of essential goods and services going up so the government can run its shell game of shuffling money around without creating any value. No, thank you.

In the *Wall Street Journal*, the economics professor David R. Henderson also warned that because you "don't see the tax itemized on your receipt, you may not be aware of how big the tax is," which, unsurprisingly, usually leads to higher VAT and more government. He added, "the sad truth is that VATs are not an engine of economic growth but rather an engine of government growth."[10] The same is true of UBI.

UBI is the bait to get people more comfortable with government-induced job losses due to bad policies such as higher mandated wages and the elimination of independent contractors and gig workers. It's not for your benefit, and it is not a "hand-up"; it is another deceptive tactic in central planners' quest for power.

Regulatory Reform

In addition to halting new legislation meant to disrupt decentralization, capitalism, and small businesses, there are a number of existing regulatory reforms to consider.

Along with all of the other headaches and challenges that small businesses have to contend with, a 2016 survey by the National Small Business Association confirmed what many other surveys and studies have also shown: that administration and regulation is consistently one of the biggest challenges to small businesses. Like their bigger counterparts, small businesses have to deal with labor and employment laws, including overtime, independent contractor tests, licensing, permits, advertising regulations, privacy, antitrust regulations, the tax code, and in certain

industries, environmental laws, among others—the list goes on and on at the local, state, and federal levels.[11]

The 2008 World Bank Group Entrepreneurship Survey, which covered a hundred countries, "indicates a very strong (and statistically significant) relationship between entrepreneurship and a better business environment" and showed that countries with more business regulations create more barriers to entry for new business formation (and, as a result, have fewer new business starts than they otherwise would have had).[12]

This is a general problem but a larger one for small businesses. As reported by Small Business Trends:

> as Nicole and Mark Crain of Lafayette University explain, regulatory compliance exerts a disproportionately large burden on small companies because the fixed costs of adhering to rules can be spread out over more revenue in large firms than in small ones. Crain and Crain estimated the per employee cost of complying with Federal regulations at $10,585 for businesses with fewer than 20 employees but only $7,755 for businesses with more than 499 workers.[13]

Additionally, these regulations make small businesses less competitive against foreign competition and create uncertainty, which keeps small business owners from investing and hiring, and of course, creates other unintended consequences, which are rarely positive.

This is why many big businesses pursue regulation, knowing that it creates an undue burden on smaller and emerging competitors and will reduce their competition.

The piece also illustrated that the supposed land of the free and individual rights wasn't living up to its name, reporting, "The Organization for Economic Cooperation and Development (OECD) found that the U.S. had higher regulatory barriers to entrepreneurship, greater administrative burdens on small business owners, and higher barriers to competition than a number of other industrialized countries" and that those regulations are growing.[14]

Regulation needs to be addressed and reined in for small businesses to have a full opportunity to compete. Though basic regulation is necessary to enforce individual rights, including property rights, and as discussed is a cornerstone of capitalism, any regulation that steps over the necessary protection of rights is anticompetitive and anti–free markets.

Though the Trump administration worked to roll back some regulations, many of the regulations that most impact small businesses are mandated at

the local and state levels.[15]

To grow the economy and support small businesses in doing so, reducing and rolling back regulation are a must, as are transparency, accountability, and simplicity in any regulations that persist.

Licensing Reform

Licensing reform for individual entrepreneurs, other professionals, and small businesses could go a long way to boosting the economy. The pandemic unwittingly proved that case.

For example, the American Association of Nurse Practitioners listed almost two dozen suspensions and waivers of requirements in the medical arena to deal with perceived and real shortages of professionals to deal with COVID. The *National Law Review* reported on various waivers in the industry, including state-specific licensing requirements, demonstrating that the laws were roadblocks to getting resources where they needed to be.[16]

A piece in the *Orange County Register* by Jeffrey A. Singer, an MD and senior fellow at the Cato Institute, pointed out:

> Governors who recently suspended state licensing laws to address the COVID-19 pandemic tacitly conceded through this action that these regulations limit the free flow of health care services and contribute to shortages. States should learn from this moment and . . . consider replacing licensing with certification to remove barriers that block qualified people from entering health professions and traveling to places where they are needed.[17]

This is true not just for the medical industry but for every industry. A 2018 article for The Hill by Jarrett Dieterle and Shoshana Weissmann cited the Institute for Justice as saying:

> one in four Americans must obtain a government license in order to practice their occupation, and the average license requires at least one year of education, passing an exam, and paying several hundred dollars in fees. The Brookings Institution has calculated that licensing has resulted in 2.85 million fewer jobs across the nation, with a cost of $203 billion to consumers annually.[18]

Some of the industries requiring licensing are head-scratchers. For example, many states require a license for hair braiding. Not cutting, not using chemical processes, just doing the same thing that mothers and

fathers around the country do for their children's hair before sending them off to school.

In Illinois, specialist licensing specific to hair braiding must be obtained. The requirements, at the time of writing, include a three-hundred-hour training course at an approved school. According to the Beauty School Directory, "The training program should cover scalp care, braiding techniques, styling knowledge, and hands-on practice." Additionally, the state requires practitioners to take fourteen hours of continuing education every two-year period . . . to braid hair legally.[19]

That is an unnecessary cost and time expenditure that keeps those who want to braid hair from going into business for themselves, working in a salon, or expanding their service offerings.

While the guise of licensing is oversight and consumer protection, a study by the Cato Institute revealed that licensing is more about cronyism and control than about skills and protection. The institute said that in health care clinician licensing, which is similar to other areas,

> It allows incumbent clinicians to control the education and training requirements for entry into their professions and the ability of other health professionals to compete with them. Incumbent clinicians use these powers to block entrants into their professions, to block other categories of clinicians from entering the markets for certain services they are competent to provide, and to block innovative education and training programs that could reduce entry barriers into their professions and competing professions.

This translates into higher consumer prices yet doesn't guarantee safety or outcomes; but it certainly concentrates centralized power. The Cato Institute suggests certification as an alternative in areas that require some training, vetting, and skills.[20]

What can be done to change this? The Institute for Justice took on licensing reform for braiding. As it says on its website and in its reports, braiding is simple and safe and does not require government interference or regulation. It exposes that becoming licensed costs thousands of dollars, can take hundreds to thousands of hours, and "in many states this training does not even teach them to braid hair, but does require them to learn totally irrelevant things."[21]

Yep, that sounds like central planning.

The institute believes that it is a constitutional violation and in 2014 launched a national "Braiding Initiative" by "filing lawsuits challenging onerous and anti-competitive hair braiding regulations," noting:

> Research demonstrates that occupational licensing laws, such as those governing hair braiding, create artificial and unnecessary barriers to entry for entrepreneurs seeking to take their first step on the economic ladder. That's especially true for occupations that traditionally cater to individuals just beginning a professional career. The right to earn an honest living is an essential part of our nation's promise of opportunity.[22]

These efforts have started to bear fruit. In fact, in Florida in June 2020, Governor Ron DeSantis signed the Occupational Freedom and Opportunity Act, which provides an overhaul of occupational licensing in the state based on these initiatives.[23]

In Illinois, as mentioned above, a bill was introduced to eliminate licensing requirements for barbers and cosmetologists, including hair braiders.[24]

Dieterle and Weissmann also suggested:

> Another option would be to step up the Federal Trade Commission's antitrust enforcement efforts that target crony and collusive licensing boards around the country. These boards often face little oversight and are stocked with industry insiders who have an economic incentive to prevent new competitors from joining their trade. The Supreme Court found such arrangements to be unconstitutional in 2015, and the FTC should use this precedent to bring additional enforcement actions against other state licensing boards. To do so, Congress should consider modestly increasing funding for FTC enforcement actions, or simply require the agency to dedicate more of its existing resources to these efforts.[25]

Business Licensing Reform

Can you imagine visiting a lemonade stand run by neighborhood kids, only to see the police show up and shut it down? It sounds like something that would happen in a dictatorship, but over the past few years, that has happened in states as diverse as New York, Illinois, and Texas because the lemonade stands didn't have the appropriate licenses and permits to do business. Widespread media attention has gotten some bills and laws put into place to try to get rid of this insanity. Still, it illustrates how completely out of control government has become in a supposedly free country regarding regulation and licensing.[26]

Government again unintentionally made the case for licensing reform during COVID, as well as reforming other regulations. It fast-tracked the products it needed and created waivers to allow, for example, more manufacturers to make hand sanitizer to deal with shortages. Though the

waivers were only temporary, they should be made permanent, and the government should be looking for places to continue to peel back this type of legislation.[27]

The same thing was widespread with arcane local and state laws regarding alcohol delivery and carryout that have no sound or valid purpose today (or frankly, when they were enacted).

The Small Business Administration (SBA) has a tool that helps small businesses navigate federal permits and licenses. On the federal level, the government actively requires businesses to get permits related to industries such as alcoholic beverages, agriculture, fish and wildlife, and transportation and logistics, among other areas.

At the state level, the SBA also provides counselors (via SCORE, a resource for small businesses that is vastly underpromoted by the government) to help small companies with licenses and permits needed at the state, county, or city/township level. As the SBA's website notes, "States tend to regulate a broader range of activities than the federal government. For example, business activities that are commonly regulated locally include auctions, construction, and dry cleaning, farming, plumbing, restaurants, retail, and vending machines."[28] Not to mention hair braiding.

Permits and licenses often expire, and with their expiration comes additional time spent to reapply, hoops to jump through, and, of course, fees. They not only suck up a ton of time for compliance but often cost thousands to tens of thousands of dollars to comply with in full.

Rolling back the licensing (and the administration that comes with it) would give entrepreneurs more time and money to put to work growing their business instead of having to deal with government interference in it. It would be a big boon for small businesses in competing with large companies.

Insurance Grabs

Another example of regulations that create a drag for small business owners are insurance requirements that are burdensome and frankly out of date with the modern workforce. In my business, located in Illinois, I have to spend several thousands of dollars per year on workers' compensation insurance. Everyone who works for me works from their own home, on a computer,

doing such “dangerous” tasks as responding to emails and writing and editing copy, among similar work.

Though you may understand why a factory might need workers’ compensation insurance, why would my small business or many others like it need it? Around 70 percent of all businesses are service businesses, many of those doing very low- to no-risk work, which don’t need the same types of “protections” as potentially dangerous worksites.

On the state of Illinois “Worker Compensation Committee” website, it says:

> Illinois law requires employers to provide workers’ compensation insurance for almost everyone who is hired, injured, or whose employment is localized in Illinois. . . .
>
> An employer that knowingly and willfully fails to obtain insurance may be fined up to $500 for every day of noncompliance, with a minimum fine of $10,000. Corporate officers can be held personally liable if the company fails to pay the penalty. Since 2006, the Commission has collected over $7 million in fines. This provides workers the proper legal protection and other employers a more fair competitive arena.[29]

How does this create a fair and more competitive arena? Why do people working from home on a computer need workers’ compensation insurance coverage? These requirements create extra costs for small employers, making it more expensive to add their first employee and subsequent employees. It is a yearly expense that could be used to grow businesses instead. That’s hardly fair or competitive and is more of a drag on smaller enterprises than on larger ones.

The website also notes that “Illinois has more companies writing workers’ compensation insurance than any other state.” That sounds like a crony deal with the insurance companies, not something benefiting small businesses.

Though you may think, “Well, it’s just a cost of doing business,” it isn’t. It’s a cost of doing business only because the government has stuck its nose into the process to funnel money to its insurance company buddies and generate fines. That’s no way to support small businesses and the economy. And frankly, it doesn’t need to be mandated. If a company has enough risk to be concerned about an employee lawsuit, it will buy insurance in the free market.

Small Businesses and Capitalism Thrive with You

For capitalism to be appreciated and decentralization to kick central planning's behind, more individuals need to be aware of their own role in capitalism. As it allows for individual choice, the choice you as an individual make is critical. If you want to support small businesses, you may need to be more thoughtful about how you allocate your dollars, in your community and online. If you support Amazon over your local vendor, don't be upset when the local vendor goes away. If you do so because Amazon gives you superior service or enhances your life in another way, that's fine, too. Just don't complain when the business you never patronize ceases to exist. That's not capitalism being broken; that's capitalism working.

I will mention again, in the interest of fairness, that Amazon also supports many small businesses. While it competes with and has been a burden for some, it does feature the products of small business owners and give them access to a large customer base. More than 1 million small businesses sell products on the Amazon.com website. Its AWS web platform also hosts many small business websites. However, that also gives Amazon unprecedented power over those small businesses indirectly, a relevant downside to consider, particularly as we look at the ongoing rapid centralization of power.

How you decide to engage with businesses is up to you. Every individual plays a crucial role in the free markets, including wielding power in the market by "voting with their wallets."

The real wants and needs of consumers influence prices, incentives, efficiency, and which goods and services are ultimately produced and provided, as well as which small businesses survive and thrive.

We have seen everyone, including politicians, complain about certain businesses and then get caught patronizing them. Recently there has been outrage at Google for being too big and powerful, leading to calls for breaking it up. Yet how many people do you know who use DuckDuckGo or Bing for their web searches instead of Google? You could even use Goodshop's "goodsearch" feature and earn money for charitable causes. It takes the same amount of time to do an internet search using each platform, but Google ends up being the default consumer choice, despite the rampant complaints about its dominance.

We see the same behavior with regard to Facebook and its various privacy and other issues. Though some people have deleted their accounts,

many did so only on Facebook and not on the Instagram platform (also owned by Facebook); those who took action were a tiny fraction of overall users. In fact, according to Facebook's second-quarter 2020 10-Q filing, as of June 30, 2020, its monthly active users averaged 2.7 billion, which was actually up 12 percent year over year. People complain that Facebook is a "monopoly," but really, do you need to use Facebook or any of its other brands? No. Are there other social platforms? Yes. Are there other ways to connect with people and entertain yourself? Many. So consumers whine but don't take action, as either an organized effort or an individual choice.

Despite its trust-violating actions of opening fake accounts and charging fees, Wells Fargo, according to its second-quarter 2020 10-Q filing, still had around $2 trillion in assets and serviced one in three households in the United States because its customers just don't care enough about the bank's past behavior to vote with their wallets and take their business elsewhere. People complain that the government didn't do enough to punish the bank, but what about its customers? There are plenty of financial services options out there if the problem is important enough.

If consumers' actions matched their words, they would be leveraging the essence of the free market. If they didn't spend their dollars or time with companies they don't value, those companies would be forced to change, if they are salvageable at all, or go out of business. Consumers' voting with their wallets would instead direct more dollars or time toward companies aligned with their most important values, whether it be privacy, worker conditions, or other values. The reality is that consumers don't care enough to shift their behavior because they are getting other things they value more.

Though they like to complain about Amazon, people consistently show that they value its convenience. They give up their privacy many times a day, and it's not really a priority. They may scream for government intervention only because they are too lazy or happy with their existing lives to make small changes themselves that are entirely within their control.

The best thing about freedom is that power and choice are in your hands. If you want small businesses to succeed, make an effort to support them. Doing so may be slightly less convenient than one-stop shopping on Amazon, but many small businesses are online and deliver, so it's not that much less convenient. Your best course of action to make sure that the small guys have their due is to give more business to them and less to the big

guys. You can even tell your friends or your social media acquaintances about them. That is the power of capitalism and it is in your hands.

Or, if you find value in the big companies, appreciate the fact that you have access to conveniences that improve your life and want the person who took the risk and executed to make that happen to be rewarded and for others to see that success, so they are incentivized to do such things to improve your life. That is, as long as it is done fairly in a free market, without special government intervention and favors.

Capitalism Is Small Business

Small businesses enable free markets, and free markets enable small businesses.

Rejecting central planning means we are letting the invisible hand of a decentralized free market allow individuals to make choices that signal what is best, instead of a committee of politicians.

The transfer of wealth and power by a committee of a few whose job it is to protect the rights of individuals needs to be stopped.

If that happens, there will be more small businesses, which will allow for more decentralization of economic power.

Small businesses will have a better and more equal opportunity to compete and grow, which will foster more innovation, products, services, and choice—not to mention jobs and economic growth.

Anyone, regardless of his or her background, will have the opportunity to pursue his or her ideas and take ownership of the rewards for their risk.

Small business and entrepreneurship are hallmarks of the American Dream and the opportunity for any individual to make their life better and pursue their goals.

Resist central planning. Make government smaller and let the individual succeed.

Epilogue

Big government is a risk to the smallest and most vulnerable. It is a risk to the individual. It is a risk to those who are less fortunate, and it is a risk to small business, the backbone of the US economy.

We have explored how government central planners have never cared about "the little guy." Individuals and small businesses, by their nature, stand against everything that helps big government grab power. Small businesses are decentralized in every way—from industry to geography to size—and therefore, they make it hard to consolidate votes and power among them. Small businesses and independent workers embrace freedom of choice instead of union cronyism. They are either too small to matter or a roadblock to control—or both.

The central planning system is set up to enable moral hazard. As Thomas Sowell put it, "It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong."

The friction between central planning and the backbone of capitalism created a host of legacy issues for small businesses. Whether via licensing, permits, anticompetitive regulation, or otherwise, the government has always made it harder for those who are smaller, who lack the resources and the clout to influence politicians, to play on a level playing field.

You would think that government would want to foster opportunity, not to mention the economic wins and tax revenue that come with it, but instead, it has made it more difficult through its own interference. Politicians do not care about the best interests and power of anyone but themselves and their cronies (who, in turn, influence the politicians' power in a vicious cycle).

Jobs, manufacturing, and other opportunities were limited for small businesses by government getting into bed with China, exporting capitalism

to the communist country while simultaneously moving the United States away from it.

The Fed has been used by the government to bail out big corporations and to sell out savers and retirees to Wall Street, using their opaque and heavy-handed policies.

So 2020 provided the perfect backdrop for the government to finish what it had started and crush the small guys all at once. Was it a concerted effort to try to make government more powerful and convince these individuals and businesses to depend on the government, or was it sheer incompetence?

The black swan government actions disproportionately affected small companies, without appropriate compensation for the subjugation of individual rights to “society.” Small businesses saw local governments bail on doing their job of protecting property rights, either via shutdown orders or by not protecting their property against rioters and looters.

The Fed, which had been enabling policy that helped Wall Street more than Main Street, doubled down—or, rather, quadrupled down. Its historic policies propped up big companies, even failing ones, taking away opportunities for new competitors and adding risk to the markets. The biggest companies became more powerful juggernauts, while many of the smallest closed up shop forever.

This all reeks of intention. It is easier for the government to maintain its power and control alongside a handful of powerful cronies. If you were intending to attack decentralization and try to roll up more centralized power without it being blatantly obvious, you would not do much differently.

Central planners sought more ways to fight decentralization, and 2020 gave them access to enable a historic consolidation of power. Only more decentralization can counteract that.

Central planning has crushed small business because small business is both too small to matter and too difficult to control. It has done the same with individuals in order to make them dependent on government handouts.

Central planning has broken the backbone of America.

Individual rights, economic freedom, and decentralization are the only way to repair it and to fight back.

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Notes

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CHAPTER 3: Fifteen Days to Slow the Spread

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CAROL ROTH is a "recovering" investment banker, entrepreneur, TV pundit and host, speaker, prolific content creator, and *New York Times* bestselling author of *The Entrepreneur Equation*. She has worked in a variety of capacities across industries, including currently as an outsourced chief customer officer (CCO), as a director on public and private company boards, and as a strategic business advisor.

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Dedicated to Antoinette
Thank you for being you and for being with me.

Thank you for every day you spend with
me. Every day 1s a gift from God

* Over that little life that still remains to me,
and at my death, deign that your hand be present.

You know You are the only hope I have'
(From the Canzoniere by Petrarch)

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Part One SHARE = EDIT DELE!

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It is customary, when wnting a book explaming how and why something has happened, to put the history bits first, to explain the past before dealing with the present and, possibly, the future

In this book I have done the opposite
I have begun, in Part One, with an account of the world in which we hve,

drawing attention to the anomalies and mconsistences, the threats and dangers and soon Itis an objective analysis of the world in which we hve, and the anom-ahes and apparent coincidences which now make up our everyday lives

In Part Three, I have analysed the events which have brought us to this un-happy state, the very brink of the Great Reset and the New World Order In this part of the book IJ have explained in some detail the who, the why, the what, the when and the how Many apparently unconnected events have taken us slowly but certainly towards the position we are mn now' on the very bonk of the Great Reset and a permanent loss of our freedom and the essentials of our humanity

It can be confusing and bewildering to try to work out why a bunch of bilionaire bankers shouid stand behind gangs of communists, neohberals and rampant fascists The attraction of fascists for communists, and vice versa, 1s no mystery They appear to stand, or sit, at the far ends of a pohtical continuum but in fact the continuum is a circle not a line and fascism and communism sit closely together The term 'neoliberal' is, of course, merely an acceptable, mad-ern replacement for the word 'communist' But why would billionaire bankers sit with neolkberals?

The explanation is a simple one
The bilhonaire bankers know that a world government will mean that some-

one has to look after all the finance, commerce and natural resources and take control of all the money And they, the bankers, will selflessly step forward to take control— with the neoliberals providing the front men and women for a to-tahtanan government which appears to rule the world but which merely serves as an admimstration for the puppet masters A world government will mean a world court, a world army, a world central bank with a single (digital) currency, a world tax system, a world welfare state, world economic planning, mandatory population control of some kind and with health and education organised on a global scale It will also mean that members of the pubhe will not be allowed

to own any weapons Think about 1t carefully and you will realise that some of these aspects of world government already exist and the rest are 1n preparation

A look at Part Three of this book will show you precisely how the bankers and financiers have, throughout the 20th and 21st century, already succeededin using politictans and organisations such as the United Nations to enable them to take control of many of the world's resources, much of the world's wealth and mndeed, whole countnes This part of the book 1s a timeline for the accumulation of oppression, deceit and egregious corporate and institutional behaviour The bilhonatres and bankers have for decades been investing billtons of dollars in their takeover and they have been using taxpayers’ money, and the hard work of small farmers and workers everywhere, to help them take control They have used defence spending and foreign aid programmes to enable them to take more and more power, and they have financed somal unrest and the absurd climate change myth in order to introduce legislation which furthers ther ambitions and gives them ever more power over everyone and everything In a fair and decent world power should be shared among the people In the world which the globalists are preparing, all the power will be in the hands of a few, unelected greedy, self-centred mdividuals

I haven't filled this book with references because ta do so would add a month to the time taken to prepare the book for publication And there isn’t time Time isrunming out Also, todo so would double the size and price of the book Readers who question or doubt any of my assertions can easily check them valdity by doing research of their own {remembening, of course, that the essence of good research is to know what questions ta ask and where to look to find honest answers - usually outside anything associated with mainstream media organ-isations, which have persistently and determinedly refused to print evidence which does not support the theories which are favoured by the conspirators)

It is vital to understand that there ts no evidence that man-made climate change 1s a dangerous threat, or even exists, and a considerable amount of evi-dence to show that changes 1n the weather are nothing more than the ordinary climactic changes which have occurred since man first started noticing and recording the weather The sometimes scary scenarios publicised by the climate change cultists (for whom the collective term should be ‘enemies of manland’) are nothing more than scaremongering propaganda produced by people who will never allow any debate or discussion about their prognostications It is Important to remernber that for some years now the conspirators, desperate to

create changes in the weather, have dumped mulhons of tons of potentially toxic sun-blocking nano-particulates such as alumina, barium and strontium above the earth in sometimes successful attempts to affect the weather, damage crops and cause mass starvation And as thetr efforts begin to work, they will demand more restrictions and more lockdowns and claim, inevitably, that these are nec

essary because of the changes in the weather which will by then have taken place

Remember everything! have reported in this book can he easily checked from reliable sources J have included a short bibliography at the end of this book to help you do your own research I own and have read all these books (and many more) in preparing this volume

2

The conspirators are winning (and they obviously are) because they have taken complete control of the maimstream media and much of the internet, They know that if you control what people tead, see and hear then youcan control what they think The mamstream media has always been fairly corrupt but m recent years the corruption has become absolute Broadcasting organisations such as the BBC and newspapers such as The New York Times now specialise im the dissemination of propaganda, misinformation and disinformation, rather than news

Propaganda used to be crude It used to consist of posters and slogans and it used to be promoted m a pretty obvious sort of way Simple, dramatic propaganda probably reached its apogee during the First World War when the Enghsh were taught that the Germans were eating babies In Germany posters everywhere simply read 'God Punish England’

But slowly, the psychologists and the brain washing experts took over and propaganda became infinitely more subtle and ever-present.

In 1957, Vance Packard wrote a book about advertising and he called 1t The Hidden Persuaders He explamed how advertising copywniters used psychological tricks to persuade us to buy the products they were selling. They sold soaps and deodorants by suggesting that if you didn’t use their product then, well, not even your best friends would tell you the unpleasant truth Copywriters used guuit, greed and envy to make consumers open their wallets and their purses and to spend more than they could afford on products they didn’t really need but had been tricked into beheving that they wanted or had to have

Today, most propaganda 1s unrecogmsable as such Crude threats of pestilence, war, famine and death have been replaced with subtler, created fears Occasionally atriptych phrase or an advertisement will stand out as rather obvious and clumsy but most of the time ideas and fears are promoted and 'sold’ in the

same Way as cars or cornflakes but are sold with a subtlety which makes it nigh on impossible for the casual observer to realise that they are being mampulated And, of course, that isn't surprising since the people behind the mampulation are well-qualified professionals, many of therm trained in war-time psychologi-eal techniques used to oppress and convince resistant ervilian populations

Propaganda isn't always what tt seems to be and even intelligent observers can sometimes find it difficult to work out precisely what the ultimate arm of a particular campaign might be Some propaganda material appears on official government advertisements, of course, but most of it appears in the tradi-tional mainstream media As the pandemic fraud began in 2020, so shops and businesses began to stop buying advertising There was no point tn compames spending money on buying adverts when all the shops and most places of busi-ness were closed by the strict lockdowns that were mn force around the world (The key thing to remember ts that everything that happened at that tame hap-pened in virtually every country in the world Never before had such strict and identical laws been introduced on a global scale) And so governments stepped m with huge advertiserments, bought every day at full price The big mainstream media companies (newspapers, magazines, radio and television) had never had things so good Internet companies also found that they were recerving huge amounts of advertising money from governments And, of course, in the UK the BBC had already been bought with the licence fee and the huge hand-outs of tax-payers' money which the corporation had become accustomed to receiving

(In addition, the BBC entered into a financial arrangement with a certam Bull

Gates, an amateur vaccine enthusiast and professional investor in vaccine com-panies, whose enthusiasm for hiring doctors and nurses to shick needles into strangers was and is unprecedented. It is difficult to think of a more disrep-utable organisation Gates, like Prince Andrew, was a close friend of Epstein and has financtal links with many media compantes including The Guardian which published a painfully obsequtous article about him The BBC has broadcast lies, denied truths, taken sides, when 1t 1s supposed to be impartial, supported the EU, from which it has received bucket loads of moncy, and broken at least one very significant promise -to provide free TV licences to those over 75)

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And to make sure that propaganda works most effectively, the people paying for the propaganda ensure that their messages remain free of opposition by using censorship ta control critics and those offering questions or alternative points of view

Propaganda and censorship are twin, synergistic weapons used to control public opinion and to promote the views (whatever they may be) of those paying for the propaganda and the censorship Opmions and facts which don't fit the conspirators' agenda are suppressed or cornpletely banned.

(It has recently been suggested, by a social psychologist, that students should be taught how to counter conspiracy theories and propaganda Such a scheme was introduced in Finnish schools in 2014 I would welcome such a scheme if

I had any faith that those teaching the curnculum were able to define ‘propa-ganda’ fairly and objectively Sadly, the evidence shows that the world 1s awash with dishonest, bought-and-paid-for fact checkers and ‘misinformation and dis-information’ units {such as the one run by the BBC) which merely promote and defend what the conspirators tell them to promote and defend)

The result of all the propaganda, 1s that most people still seem to think that the barrage of bad things happening are all happening now by accident or by comcidence That simply isn’t true Everything is happening on purpose; every-thing is orchestrated There ts a malign force manipulating our lives - a malign force controlled by the conspirators It is no accident that there is now an un-treated global epidemuc of anxsety and depression with mental health problems now probably the commonest health disorder affecting chnldren It1s ternfying to see that in the UK well over eight million people are being actively treated with anti-depressant drugs (which, for the record, have been shown not to work)

Today, propaganda is used to manipulate and to control
All things considered it is perhaps not surprising that there are so many

strikes around the world, why violent nots are commonplace, why mflation is soaring, why health care is detertorating rapidly, why travel has become deeply unpleasant (when t's possible), why millions of children are uhiterate and imnu-merate, why the police no longer bother investigating senous crimes and why corruption 1s now so commonplace that no one in authonty notices or cares

3

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While propaganda around the world has been spread by professional teams of misinformation specialists, debate and balanced discussion has been banned.

For years now itt has been illegal even to discuss the holocaust (which was, uniquely, dignified with an initial capital letter, in the sarne way that covid was subsequently given an initial capital letter or, in many cases, written out entirely in capital letters to make the word look even more important)

I don't question the holocaust | don’t pretend to know what happened or did not happen

What I do find tmmensely troubling 1s that experts who claim to have evi-dence, or substantiated views, can be sent to jail simply for wanting to debate the accepted truth

And this clampdown on debate is being extended
The marnstream media refuses to debate climate change, the covid pandemic

or the dangers of vaccination - among other things A very dangerous prece-dent has been set Governments want criticism of vaccination programmes to

be treated as terrorism. At least one US Presidential candidate for the 2024 elec tions has said that cntics of clumate change theory should be put in prison

Since the 1980s, the clyrmate change myth has been promoted with great certainty by the controlled mainstream media But nothing that has happened in the last century has been in any way abnormal, and for cultists and meteorologists to claim that they are able to warn with confidence of what the weather wil be hke mn 50 or a 100 years time is extraordinarily nonsensical, since weather forecasters have a job to predict what tomorrow's weather will be like with any degree of accuracy

The truth is that the majonty of climate change sctentists do not agree that man-made climate change 1s a problern and most of the hystertcal warnings which have appeared in the media have been based on computer simulations and are worthless

For a brref summary of the clymate change fraud |] recommend a small book entitled 'Greta's Homework', written by Zina Cohen Many of the most absurd scaremongers have been proved wrong time and time again So, for example, one leading expert (Dr Kenneth E.F Watt, an ecologist at the University of Cahforma, predicted that the world would be 11 degrees colder by the year 2000 and that we would be in an Ice Age }

There ts no scientific evidence supporting the politically motivated claim that climate change ts a real problem The climate change myth was created by the

globalists who are desperately trying to create a threat which will move us towards a world government And sadly, now, most people don't question what they are told, Some are too frightened of what they might hear to ask questions, they don't want to know the answers and they don't want to have to confront the fact that they are ving in a world where the propagandists (such as the New York Times, the Washington Post and the BBC) have turmed black into white and white mto black Some symply do not beheve that they could have been hed to so consistently and so vehemently

The same is true of other scare stories which have been run in recent years Broadcasters, newspapers and respectable sounding pressure groups have all hed constantly and consistently about the ozone layer, acid rain, polluhion and infections

Huge amounts of money are bering made by the campargners and professional agitators who run the organisations and charities trying to 'sell' the myth of chmate change

As happened with AIDS in the latter part of the 20th century, anyone promot ing the offiaally approved party-Line will be swamped with grants and financial support

(I remember debating the isstte of AIDS on LBC radio in London Afterwards,

standing on the pavement outside the studio, | asked my ‘opponent’, a campaigner for a homosexual group, if he really believed the nonsense he had shared with the audience He readily admitted that he didn't, but that he had lied and produced fake figures simply to try to wm the argument He was, he said, concerned that if AIDS were considered to be a problem which only affected homosexuals then it would receive no public support or money)

On the other hand, anyone who questions the myth will be destroyed professionally Television performers who stick to the globalists’ hne about climate change are feted and offered vast sums of money while those who even dare to question the official lime suddenly become unfashionable and unemployable

Those who argue that man-made climate change ts a serious problem consistently refuse to debate their views in public As with the covid-19 vaccine, the refusal to debate ts good evidence of a fraud and a cover up

The result of all the lies is, I’m pleased to report, that the majority of people simply don’t beheve that clmmate change ts real Even after being bombarded with threats and fears, managed and controlled by governments, pressure

groups and international borhes such as the United Nations, most people remain resolutely sceptical

4

The true story of the conspiracy taking us towards the Great Reset and the New Normal is a story of unprecedented wickedness

It 1s a story which has taken me years to unravel It 1s a story of deceit, cor ruption and of a small group of men and women with an unquenchable thirst for power and an unnatural appetite for wealth It 1s a shocking story which explains how a small group of relentless megalomaniacs have mantpulated bilhons of people around the world into believing a completely fabricated myth - the myth of man-made climate change - solely so that they can take complete control and create a new world government (Note the term ‘climate change’ 1s now frequently used together with the prefix ‘existential’ as though this gives this entirely unsubstantiated theory some gravitas.) It is a story of how well-meaning but native tndividuals have been tricked into believing carefully concocted hes about the environment, and then acting asf those hes were true Itis a story of financiers and bilhonares bribimg and pulling the strings of politicians and bureaucrats Itis a story of endless deceits It is a story of conspirators deliberately turning free men and women into slaves, unable to take responsibility for their own actions and totally dependent upon the State for everything they do It is a story of ruthless advocates for fake pandemics deliberately creating fear and panic and then offering some sort of solution This1s, in short, a story of the most hommfying, evil plot ever concocted by man and in this book I wall give you the evidence showing how this fraud has been carefully and del:berately manufactured

Throughout the world, governments have accepted the agenda force-fed to them by a cadre of neo-hberals Exactly the same economic mules are now apphed everywhere So-called reforms introduced by the World Bank, the International Monetary Fund (IMF) the World Trade Organisation and the Federal Reserve, and the central banks under the auspices of the Bank of International Settlements tn Switzerland, and all sponsored by the Bretton Woods institutions have created a perfect environment for global banks and multmational corporations The label ‘neohberal’ nught imply a kindly, free market system but under the authonty of the neoliberals a new system has been created which gives authonty, power and pretty well nearly all the money to the bankers As both Plato and Aristotie

recognised, wealth 1s addictrve The bankers behind the conspiracy to create a World Government can never have enough money They man:pulate, they he, they cheat, they defraud and they have no feeling for the people from whom they steal As long as they get another billton or two tnthe bank they don't care about the millions who die And they prefer to make their money without having to work for it

5
I should mention, in passtng, that the IMF and the World Bank and so on are regulatory bodies which were created to operate on behalf of the world's governments but m practice they operate on behalf of the world's biggest banks and corporations and work with secretive and unelected organisations such as the Trilateral Commmssion, the Bilderbergerzs, the Council on Foreign Relations the International Chamber of Commerce, the Trans-Atlantic Business Tnalogue, the United States Council for International Business, the Institute of International Finance and the World Economic Forum Itis the last of these, the WEF, with its annual meetings mn Davos, which ts perhaps the most dangerous (] wall explain how these organtsations work in Part II of this book) These organisations meet in secret with bankers and do so in closed sessions Most of their deliberations and conclusions are secret - even though the costs of thetr meetings, and the huge costs of the security provided may be met by taxpayers

6
You have been subjected to a barrage of les for much i not all of your hfe You have been the victirn of a confidence trick of brobdingnagian proportions, a deceit that even the Baron Munchausen would probably find too unhkely

And yet, as I have promised, everything I’m about to tell you is true In Part Three of this book I have named names and places and I've given dates in order to explain precisely how, when, where and why this fraud has been systematically concocted The globalists describe anyone who questions what is happening as a ‘conspiracy theorist’ but when you've read Part Three, you will realise that this conspiracy is no theory

The bottom lime, the unavordable, unpleasant truth, is that everything 1s far worse than you thought 1t was The world is not being deranged by accidents, it is not being deraled by coincidences Everything that 1s happening has been carefully planned, everything 1s deliberate We are victims, you and I, of the

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biggest, longest and most comprehensive conspiracy in history Slowly, me thodically and ruthlessly, a relatively small group of conspirators have steadily taken control of every major institution in the world They have bulhed world leaders, they have replaced kings and presidents with their own men and they have stolen and deceived in a way that the Cosa Nostra would surely envy The conspirators are for the most part Amencan and phrases such as ‘US exceptionalism’ and the ‘reserve currency dollar’ mean that the United States can ignore international law, tell other countries what to do, invade sovereign states with impunity, wage wars at someone else's expense, build up massive, international debts which they never intend to pay off, steal natural resources (such as oil, gold and minerals) without compensation or apology and force countnes to hand over assets and local monopohes to multinational companies in America

All around the world billions of people have been threatened, impoverished, bullied and puntshed tn order to enrich American banks, American financiers and American corporations In many cases where Americans have invaded and stolen resources they have left behind chaos and abject poverty Look, for example, at what happened to Iraq, Libya and Syma to give but three modern examples

And the final irony ts that despite the fact that it has pillaged and raped whole continents, the United States is now by far the world’s largest debtor It has successfully turned the dollar into a way to make other countries finance tts global war mongering The foreign reserves of central banks around the world consist of dollar dominated assets and only now (in 2023) are countries such as China, India and South Africa demanding new principles for international law, trade and finance

(Itis curious, by the way, that rmllions who beheve in the existence of the Cosa Nostra find 1t impossible to believe that well-educated men and women from good famrhes could possrbly be mvolved in an even bigger scheme to control the world’s population The members of the Cosa Nostra, the Triad and simular organisations are content with running drugs and prostitutes, and to protect their enterprises they steal, maim and kill hundreds of people The conspirators, the bankers and financiers, and their allies (whom I classify as the collaborators) want control of everything and everyone and to protect their ambitions they steal, maim and kall hundreds of mllrons)

And both conspirators and collaborators have acquired a robust sense of entitlernent

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A medium level bureaucrat worlang for the Government im India accidentally dropped his smart phone into a reservar So he had the reservoir drained, with millions of gallons of water being wasted, so that he could look for his phone

Every where tn the world, on an hourly basts, entitled bureaucrats abuse their power tn a thousand different ways

7

The wickedness, the lmnutless greed, the hypocnsy, the blatant cruelty, the ruthlessness and the depravity of American politicians, bankers and billionaire financiers is hard to believe

For over a century ruthless men and women, some of them well-known, some

of them the holders or former holders of public office, some of them secretive and anonymous and some of them freelance power brokers who have moved effortlessly from the world of finance to the world of government and back again So, for example, numerous executives have moved between banks such as Galdman Sachs on the one side, and governments and the most powerful NGOs (such as the World Bank and the International Monetary Fund) on the other

Rents, interest and huge financial charges (ancluding massive bonuses paid to bankers whether or not they have done their jobs well) are, bizarrely, counted as ‘financial services’ and listed in a nation’s accounts as part of the country's Gross Domestic Product

(Financial services should really be regarded as debts and countnes, such as the United Kingdom, where financial services make up a major part of the nation’s GDP must inevitably be doomed In those countnes, real productivity (making things and providing genutne services) have become secondary to the provision of lending money and the fees and charges associated with moneylending)

Anyone who questtons the role of the banks 1s, mevitably, described as a ‘conspiracy theomst’ and as ‘discredited’ Those terms appear time and time again, so often that it is clear that they are designed and spread by specialists working for agencies such as the CIA And the abuse is decorated with decades old startes which can be rewritten to produce doubt, by mampulated truths, by half-truths and by downright hes Anyone who questions governments and bankers will be labelled a conspiracy theorist and called discredited by a fake encyclopaedia called Wikipedia which appears to be controlled by the CIA and simular organtsations from other countmes

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(Larry Sanger, the despairing co-founder of the site Wilapedia, has used the word ‘corrupt’ to describe his creation A deal between Wilapedia and Google means that the lres put on Wikipedia are reproduced on Google to reach a larger audience)

The hes help to prevent anyone exposing the conspiracy from reaching more people The conspirators and the collaborators who work for and with them are specialists in psychological warfare and in the basic elements of ‘controlled Opposition

The key thing to remetnber 1s that there are now no coincidences in geopolitics or modern history and nothing 1s happening by accident However chaotic and unpredictable and out of control you feel things are, you should understand that everything that has happened 1n the last few decades (and particularly in the last three years) was planned It was, indeed, planned so carefully and with such precision that for the last three years in particular, since early 2020, tt has been possible to forecast what will come next (I have predicted almost everything that happened since early 2020 and the evidence for that 1s available on my websites)

I naturally hope that as many people as possible will read the evidence I've collected and will tgnore the attempts by the conspirators and the collaborators to discredit me and the book Sadly, most ofthe people who should read this book won't touch it, they won't read tt because they have been brainwashed by the maimstream media working for the conspirators

I have been thoroughly discredited and demonised by the establishment, and the fact that for over 50 years I have produced accurate predictions and analyses has been suppressed and ignored The very fact that this book will not be available in bookshops or public libraries, and will not be reviewed, or even mentioned mm the mainstream media, tells us much My books have been published by many leading hardback and paperback publishers and have been transiated into 26 languages and sold around the world But, as with my other books on this subject, I will have to publish this book myself because no orthodox mainstream publisher will dare publish it In the past most of my books were senahsed m newspapers and magazines Several of them were turned into senes for television and radio This book will not appear anywhere else Like everyone else telling the truth Iam led about, sneered at and ndiculed by agents working for

the conspirators I no longer care that saying this makes me sound paranoid be cause | know that Iam not

The conspirators were never gomng to take any chances They knew that once they had begun their campaign towards the Great Reset (formerly known as the Great Merger) their propaganda campaign would be opposed by people who could see through the les and the misinformation

And so, nght from the start, they knew that they would have to stamp down hard on anyone (especially doctors or media professionals) who dared to question the official line Anyone who didn’t agree wholeheartedly with the idea of the Great Reset was demonised as a right wing extremist and immediately discredited

Branches of the military and the secret services were employed to attack and discredit the truth-tellers In the United States of America the CIA has been extremely active tn this area. And the FBI has worked with Ukraimian intelligence to censor and suppress Americans on social media (tn breach of their first amendment rights) In the UK, much of the work of disinformation, misinfor-

mation and demonization and abuse has been m the hands of the Bntish Army's 77th Bngade For example, right from the start the 77th Bngade put abusive and libellous remarks in the comments section underneath videos questioning the official line on the pandemic The abuse was often crude My videos were constantly full of libellous comments claiming that I did not have a medical degree, that I was a fake anda fraud And GCHQ (the UK Government's spy centre and eavesdropping agency) was ordered 'to wage cyber war on anti-vaccine propaganda' and 'to take out anti-vaxxers online and on social media' GCHQ, paid for by British taxpayers, has used dirty trick tactics to control, infiltrate, manipulate and distort online information GCHQ's own Twitter account claims that their 'brightest people brmg together intelligence and technology to keep Britain safe' but in May 2021, the European Court of Human Rights ruled that GCHOQ's methods violated the nght to privacy and that its regime for the collection of data was unlawful Who at GCHQ decided that the agency had the mght to suppress the truth and to promote lies 1s still a mystery The end result of this treachery has been that thousands of people have been killed or injured because they were denied information about the covid 19 'vaccine' which might have helped save them from listenme to inaccurate information on the BBC and other areas of the mainstream media

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A shghtly more subtle approach was to hire individuals to pretend to be on the side of the truth-tellers | suspect that at least half of those claimmng to be 'truth-tellers were actually working for the opposition Some have ridiculously complex organisations and they have often been hugely successful at collecting money {Some have collected millions of pounds from gullible supporters and, 1n some cases, big fees from drug companies) And there were others who regarded the pandemic as a career booster and were pliable enough to be allowed onto mainstream television and radio stations where what they said could be directed or manipulated (The real truth-tellers were not allowed access to any mainstream media.)

There 1s nothing new m any of this, of course The authonties have always infiltrated pressure groups or those who threaten to cause disruption

I have always been very active in the campaign against animal experimentation and back tn the 1970s and 1980s anti-vivisection campaigns were regarded as the major terrorism threat in the UK The security services, MI5 and Special Branch, admitted that the absence of outside, traditional terrorists meant that

in order to justify their existence they had to find some alternative and ant vivisection groups were selected as the most suitable target This sometimes had bizarre consequences On one occasion a group of five alleged extremists was arrested Unfortunately, it was quickly found that four of the alleged extremists were actually representatives of various official groups One was a member of Spectral Branch, one was an MI5 officer, one was a pohceman and one was an undercover journalist Only one member of the group was a bona fide animal rights activist Initially, the actimst was charged with the very serious offence of conspiracy but the case quickly fell apart, and was abandoned, when the prosecutors realised that a conspiracy requires two or more tndividuals - you cannot

change a solitary individual with conspiracy This was not an isolated instance It was common place to find that groups protesting or campaigning agamst animal experrmentation had been infiltrated by those promoting or supporting vivisection - though the majority of the infiltrators were being paid, either by the Government or by the drug industry

Much the sarne thing is happening today among those telling the truth about the banks, climate change, fake pandemics and toxic 'vaccines’

9

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There 1s much bewilderment among mtelligent doctors and scientists as to why so many doctors kept quiet about the hes being told when the covid-19 hoax and the fake pandemic unfolded Around the world, hundreds of thousands of doctors kept quiet about the covid-19 ‘vaccine’ and continued to prescribe a product which has been accurately described as the most dangerous and damaging sin gle pharmaceutical product ever marketed The covid 19 jab did not do what the establishment promised it would do but, at the same tame, 1t caused countless thousands of deaths and serious injuries among the patients who were injected

There are two explanations for the fact that so many doctors ignored the evidence and did what they were told to do by dishonest advisors within the medical establishment and bought and pard for journahsts and celebrities

The first explanation 1s that all over the world doctors were extraordmaniy well paid to give the covid 19 jabs Hospitals were given bmbes (labeiled as bonuses) which were dependent upon the number of patients they injected Doctors were bought off, and dissuaded from asking too many questions, by being patd well over the normal fees for piving vaccinations Those doctors wall, in due course, appear in court where they will be unabie to mount any sort of defence To say that they behaved unprofessionally and greedily 1s a massive understatement

The second explanation 1s that doctors were too terrified to speak out against the medical establishment because they saw what had happened to colleagues who dared to share their views with then colleagues and the general public and who had had the:r licences removed by the official heensing authonties and, in addition, been vilified by the media

The truth, so well hidden during the last three years, 1s that the medical establishment was, as it has been for decades, controlled by the pharmaceutical industry and instead of looking at the facts ucensing authorities around the world merely did as they were told to do Numerous doctors lost ther licences, and thei hvelshoods, because they dared to speakoutandtelithetruth The majonty of doctors, seeing what had happened to those who spoke out, kept quiet and betrayed their patients, themselves and their profession Those gutless wimps should be ashamed

In the United Kingdom, doctors are licensed by the General Medical Counal,

an organisation which ts, in theory at least, a chanty but which appears to have some of the worst qualities of a quango, a government department and an en forcer for the drug industry I believe that drug companies control governments,

they control the medical establishment and, it appears, they may also control the UK's medical licensing authonty-— the General Medical Council

The GMC has become infamous for its extraordinarily one-sided defence of the exaggerated covid pandemic and the potntless but enormously dangerous covid vaccine

When the fake pandemic was first promoted in February and March 2020, | ummediately described the covid scare ahoax The figures available proved without any question that the danger of what was clearly merely a rebranded annual flu had been massively exaggerated by people who had a bad track record at assessing the relevant figures In the UK, the Government’s own official advisors agreed with me, dismissing the covid 19 infection as being no more dangerous than the annual flu Inevitably perhaps, their expert advice appears to have been ignored in favour of advice from a mathematician with a termble track record.

Naturally, the conspirators behind the exaggerated risk did not like my description of the covid scare as a hoax (a video I made was seen by many millions within days) and I was quickly demontsed and Led about in the media The GMC couldn’t take away my licence because their own admunistrative rules meant that, as with many doctors, my retirement from active practise meant that I'd had to give up my licence But younger doctors, who were convinced by my arguments or who reached the same conclusions, were to feel the full wrath of the drug company controlled medical establishment

So, for example, consider the case of Dry Mohammad Adil who, until three years ago was a respected surgeon working inthe NHS Three years ago, Dr Adil criticised the Government line on covid, and the GMC responded by taking away his lrcence - meaning that he could no longer practise as a surgeon or, as a doctor in any capacity Three years later, Dr Adil still didn’t have his licence back The cost to him has been extraordinary And we should not forget the cost to the NHS If we consider that im those three years he could have performed 1,000 operations a year — not an unltkely number-then his three year banishment means that 3,000 patients have been denied the operations they needed

Several other doctors in the UK had their licences removed for criticising the absurd and indefensible covid policy And exactly the same thing happened around the world where hcensing authonties have :gnored the scientific evidence and punished doctors who dared to share the truth with the world - usually on socral medza,

It was this unscientific bullying, and the widespread publicity given to the consequences, which ensured that thousands of doctors kept quiet - fnghtened that they too would lose their hcences and ther livelihoods A doctor without a licence to practice is as useless as a sweep without his brushes or a tax: driver without a cab

The GMC's decision to deny Dr Adil his licence was always unjustifiable First, there ts the question of free speech Article 19 of the United Nations

Charter states clearly that ‘everyone has the right to freedom of opinion and expression’ There 1s no codicil limiting the rights of doctors The GMC's decision iS in direct opposition to this fundamental human mght It has been argued that doctors have a special responstrbility because of their position and traming but this strengthens rather than weakens the UN charter Doctors have a special responsibility to speak out when they believe that something 1s wrong. And, of course, you can't have a little bit of free speech any more than a woman can be a bit pregnant You either have free speech or you don't. To say that a doctor cannot eriticise the medical establishment ts as nonsensical as saying that an opposition party politician cannot criticise the Government The hcensing authorties which have removed doctors’ licences for speaking out are undemably in breach of the UN Charter How a lawyer or a judge can justify allowing any heensing body to deny an individual's right to protection from the UN Charter 1s, Iconfess,a mystery tare Doctors are entitled to share their views with the public and the public is entitled to decide whom to believe

Right from the start the doctors supporting the Government and drug companies have steadfastly refused to debate in public, and the mainstream media has taken an entirely biased, unbalanced one-sided line in reporting the fake pandemic The BBC, ignoring its own charter and repeated claims of fairness, has even stated that they would not interview anyone questioning the value of vaccination whether they were ‘nght or wrong’ I have frequently challenged vaccine supporters to a hve, nahional public debate None has had the confidence or the courage to accept the challenge

(The conspirators and the collaborators have not just refused to debate the pros and cons of the covid vaccine They have refused to debate any of the contentious issues You mught think that the most confident consprrators and collaborators would be delighted to have the opportunity to debate their belrefs about climate change, the Great Reset and their plans for a world government, and to air the details of the science which they claim is behind their new re-

ligion But they don’t want to debate and the only logical conclusion 1s that they know that they would lose any debates because they have no supporting evidence)

Second, the GMC has assumed that the Government and the medical establishment must always be correct and beyond criticism. This 1s dangerous nonsense One doesn’t have to go very far back in history to find numerous examples of times when the Government and the medical establishment have been

completely wrong and, as a result, patients have suffered until doctors had the courage to stand up for the truth When Dr John Snow gave chloroform ta Queen Victoria, there was an uproar in the medical establishment because it was felt that women should not be given anaesthesia dunng childbirth Electroconvulsive therapy, leucotomies and the removal of vast lengths of the intestine were all approved by the medical establishment but later condemned It was because of the medical establishment that tonsils were removed without good reason No one knows how many children died as a result A good deal of unnecessary heart surgery has been performed on patients because of bad medical practices promoted by the medical establishment. It was because of bad medical practices condoned or encouraged by the medical establishment that milhons of patients became hooked on barbiturates and then benzodiazepines And I wonder how many of those who have condemned Dr Adil know that widely used and previously approved vaccination programmes have been condemned as worthless and dangerous

History shows that the medical establishment has been wrong more often than it has been nght, andif the GMC stops doctors cnticising the Government and the medical establishment (known to be linked to the pharmaceutical industry) then nothing will ever change for the better

If we go back a httle further in medical story we come across individuals such as Dr Semmelwetss whose work on women lying m labour wards changed medical practice and saved thousands if not mullions of hves Dr Semmelweiss was, of course, viciously attacked by the medical establishment There are many more examples tn my book 'Medical Heretics’

The undeniable truth ts that history shows that the medical establishment has always suppressed the truth and promoted profitable lies Nothing has changed The medical establishment stzll promotes medical procedures which don’t work, while suppressing essential but inconvement truths The GMC’s fun

damental mistake appears to me to be that 1t has assumed that its loyalty should be to the medical establishment rather than to the welfare of patients

Third, and more directly perhaps, the evidence now shows quite clearly that the medical establishment's official line on covid-19 was completely false Everything that the establishment has said and done has been wrong and dan gerous The General Medical Council and all those who supported its decisions seemed to have assumed that the establishment was nght

Ifthey had looked closely at the evidence they would have known that the UK Government's own scientific advisers decided, back in March 2020 that covid was not a major threat They would have known that Government statistics show that the number of people who died from covid-19 was no greater than the number who die from flu every year {a disease which had mystenously and conveniently disappeared) Indeed, the number of deaths from what was clearly a rebranded flu was no greater in 2020 and 2021 than it was in some previous years Moreover, it is now clear that the absurd policies of lockdowns, social dis-

tancing and mask wearimg were without any scientific foundation, were unnec essary and dangerous and were in part responsible for the entirely predictable mcrease 1n deaths which marked 2022 and will continue for some years to come The PCR test was never intended to be used as it was, and has been proven, beyond any doubt, to be of no more value than a coin toss It 1s clear that the closing down of schools and businesses was also entirely unnecessary and has done massive, long-lasting damage Worse stull, it is now abundantly clear, and generally accepted by intelligent, well-informed doctors and scientists, that the covid 19 vaccine was never properly tested, was never fit for purpose and is the most dangerous and deadly pharmaceutical product ever marketed Largely because of links with the pharmaceutical companies involved, the Government and the medical estabhshment misled the public and the health professions All the evidence for these claims ts avatlable on my website and books and in over 300 videos | made between the years 2020 and 2023 (The videos first appeared on YouTube but they were removed piecerneal pretty well as soon as they ap- peared And then my entire channel was removed for the new crime of telling truth)

Finally, there is one other rather shocking reason why the GMC should not have made any rulings about Dr Adil or any other doctors who cnticised the offi- ciallineoncovid 19 andthe covid-19 vaccine

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The General Medical Council {in my view one of two big enemies of patients in the UK - the other 1s the Bntish Medical Association) has invested nearly £1,000,000 in fast food and drink firms and, worse still, has invested large amounts of money from doctors’ fees indrug companies And one of the compa- nzesin which rt had shares was one of the compantes making a covid-19 vaccine

How can the GMC judge doctors’ behaviour in relation to covid and covid jabs when it has a vested interest in the financial success of vaccine manufacturers such as Astra Zeneca?

It could surely be argued that the GMC, which has money invested in vaccine manufacture, has a vested interest in protecting vaccine making and should not, therefore, discrpline doctors whose actions might have damaged the earning po tential of any compamies rn which it has investedits own money

The GMC can be compared to a judge punishing someone for cnticising a product in which he himself has a financial interest Indeed, I would argue that the GMC, and its vast army of overpaid, and, it seems to me, sometimes arrogant, pen pushers has abandoned tts role as a guardian of the public and become an enforcer for the pharmaceutical industry

Those who had the courage to speak out should be applauded and it is they, not the promoters ofa 'vaccine’ that does not do what it was promised to do but which has caused many deaths and much illness, who should be honoured

In a free and progressive society criticism of the establishment should never be subject to censorship

My conclusion can only be that the General Medical Council 1s unfit for purpose and should be closed down immediately It 1s not fit to hand out dog licences, and certainly not equipped to control the licensing of doctors It has failed to doits job to protect the public and it appears to me to have acted more in the interests of the pharmaceutical industry than the interests of patients

I'm dehghted to report that m July 2023, the British Medical Association agreed with my conclusion The BM4é's Annual Representative Meeting has passed a no confidence vote for the GMC and will now call for its leaders to be sacked

The BMA motion said that 'too many' Medical Practitioners Tribunal Services fitness to practise decisions are 'disproportionate to the error of the doctors mistake' and expressed no confidence in the current tnbunal

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Doctors voted for a motion calling for the leadership team of the GMC to be dismissed and replaced with a team that 'commands the confidence and support of the medical profession

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It is a sad fact that most people are so indoctrinated that they have no interest In reading anything which may force them to question what ther government {and government sponsored media) has told them to think

The mainstream media has, of course, distracted millions with non-stortes about celebrities, minor celebrities and members of the English royal family The world ts in a spiral of deliberately engineered destruction, and with a designer war between NATO and Russia now well into a second year, it 1s well into World War III, but the mainstream media has pushed the war (and other ternble things which are happentng) onto page seven or the end of the news For the period of the war to date, it has concentrated its energies on the childish exhibitionism of a middle aged couple of former royals who seem to spend much of their lives making public announcements about their desperate desire to be private

Despite this determined suppression of reality, there is still more than enough scary news around to keep people fearful Recent large surveys have shown that most people now avord all the news because they find it too depressing They see no point in knowing about things which they feel they can do nothing about

Meanwhile, individual governmental and mternational bodies use every small hazard as a reason to introduce new, comprehenstve and suffocating legislation A decade or two ago I suspected that this was no more than bureaucrats doing the only thing they know how to do - micromanage - but itis much more than that The bureaucrats and rule makers have been encouraged to do everything they can to suppress the people

Around the world, laws are being mtroduced to make it illegal to share information which 1s regarded by the Government as 'misinformation' or disinformation even though the news they share might be regarded by a majority of

doctors and scientists as accurate In Australia, for example, there 1s the Communications Legislation Amendment (Combatting Mis-information and Dis-information) Bill 2023 which will result in truth-tellers being fined up to $500,000

There ts no doubt that today a great many people are fnghtened to view the truth (or even something which they fear may be the truth) because the les they have accepted have resulted in their doing things for which they would

feel ashamed So, forexample doctors and journalists who helped promote the wicked and fake covid fraud do not like to acknowledge the part they played m the creation of a false global pamic Nor do they like to see the evidence showing that the covid-19 ‘vaccine’ which they recommended with such enthusiasm has caused many thousands of deaths and serious life changing injuries

Even if you know some of the truth this book will shock you And it will perhaps surprise you to discover that the villains in the world are not the people whom we have been taught to see as villains (Putin, Xi, Gaddafi, etc)

Our freedorn is being taken from us at an tncredible speed by people who appear to be respectable and part of the establishment The ground work for the removal of our freedom was done decades ago Now we are in the final stages of the takeover It may sound msane but a small group of committed, self-serving extremists now dominate the political systems in all major Western countries and they control the global economy Itis because of this power and money hungry clique that we are controlled from birth until death by unseen hands And the control ts tightening by the day The conspirators are introducing a digital world and a digital currency There will soon be a global government, controlled by unelected but appointed individuals who, in turn, control our every move through the invidious system of social credit, a restrictive system which I described in some detail tn my book Socral Credit Nightmare on Your Street

The fnghtening thing about social credit, asly, manipulative programme of control, 1s the way in whichit 1s being introduced insidiously — without many people really noticing what is happening For exarnple, in England, the tax authorittes will, in 2026, be introducing a new points system for those who pay their tax late If a taxpayer collects a set number of pomts they will receive a financial penalty On the roads, motorists have been told that 2f they bump into a cychst they may be sent to prison for life (Knocking over a pedestrian ts fine, it seems, but cyclists must be protected.) And in school, children are being forced into a social credit systern which even the Chinese might find horrifying. At a school tn Devon, some pupils have been told that they cannot attend their school prom if they haven't accumulated enough ‘praise points’ Pupils get ‘praise points’ in five categones being ready to learn, enabling others to learn, treating the envronment and others with respect, working to the best of ther abrhty and fulfilling thetr responsibilities ‘Praise points’ are apparently awarded by staff as a reward

for ‘positive behaviour’ One parent said. ‘This has caused emotional harm and it is not kind and inclusive to these children banned from the prom’

Of course it tsn’t But I dont think anyone ever claimed that social credit schemes were designed to be kind and tnclusive

12
The conspirators are ruthless and heartless m a way which most of us find difficult to comprehend They control everything we do They control banking and transportation and health care and they already own or control most of the world’s natural resources They start wars, when wars suit their purposes (regardless of the death and destruction those wars will cause), they create hatred between black and white and between men and women and they push economies into recessions and depressions when to do so serves their purpose The conspirators, who usually like to describe themselves as (and to be described as) ‘philanthropists’ deltberately introduce policies which they know will kill hundreds of milltons of people, even billions of people, because they know that those policies will make them more powerful and ever ncher (The myth of philanthropy is commonplace among bilhonaires John D Rockefeller Sr used to arrange for himself to be photographed giving dimes to children This was the basis for his reputation as a philanthropist)

The conspirators know that in order to continue to succeed they must convince the public that thereis no conspiracy And to do this it ts vital, utterly vital, to suppress the truth and oppress anyone who dares to tell the truth The mainstream media, bought and paid for, has enabled the conspirators to do this very effectively Early in 2020 I began making videos for YouTube I acquired a huge number of 'subseribers’ within a couple of months and then my channel was entirely deleted and 1 was banned from making more videos or even accessing the channel My crime was a simple but modern one telling the truth Facebook told me that 1 could not join their piatform because I would be a danger to their community (There was no discussion and no specific reason was given) 1 was banned by all social media sites (though fake sites tn my name appeared) and publishers suddenly refused to publish my work Publishers around the world withdrew my books from sale - even when those books had been hugely success ful For example, publishers in Chia and Germany pulled all my books from sale because I had questioned the efficacy and safety of vaccination programmes There was no debate, no discussion, publishers didn’t ask me for evidence ~ my

books were banished, to be pulped or burnt Newspaper editors who had been enthusiastic about articles they wanted me to wnte suddenly stopped talking to me and wouldn't even say what had happened

Censorship has long been a problem for authors, of course Animal Farm by George Orwell was refused by anumber of the publishers who saw tt. One admit ted that the Minustry of Information in London had advised him agamst pubhish-Ingit

And those doing the banning usually find some strange ways to excuse their actions In June 2023, the European Union banned the publication of information which it thought did not support Ukraine with enough enthusiasm or which was regarded as supporting Russia in some way Reporters who tned to put both sides of the story, and who attempted to tell the truth, were punished orfired The EU claimed that it was controlling the flow of independent information and doing this to protect freedom of speech

Journalists and commentators working for mainstream publishers are very well paid toignore facts which might be inconvenient In the US 1t has for some time been well known that the New York Times and the Washington Post are no longer fighting to publish independent truths, both seem too inchned to support the conspirators and the establishment An American software billionaire, Bill Gates, a well-known lay proponent of the covid-19 vaccine, has given huge sums of money to The Guardian and to the BBC tn England The Guardian, for example, was given £12 mullion by Gates The BBC, which had also rece:ved money from the European Union, had close financial links with the vaccine supporting billonatre Both The Guardian and the BBC produced hagiographic profiles describing Gates as a philanthropist, Curiously, both organisations seemed subsequently to ignore Gates' links to Jeffrey Epstein, the disgraced financier Other individuals, including an English prince anda leading bank executive, have been ruined by their connectron to Epstein but, to the surpnse of some, Gates remains relatively untouched

As I have previously pointed out, at the height of the covid-19 fraud in 2020, one BBC presenter announced that the BBC would not debate the subject of vaccination with anyone critictsing the vaccine 'whether they were nght or wrong' Such blatant prejudice is difficult to believe, particularly when offered by a State broadcaster which has a duty to provide a fair and honest assessment of the news The only good thing you can say about the BBC staff is that they le and promote propaganda with a straight face When they repeatedly insist that two

plus two equals five they do so with such solemnity that the mass of people belteve them, and doubt their previous suspicion that two plus two comes to something else, a sum which they can no longer quite remember The BBC has betrayed the licence fee payers, and obeyed the demands of its own left leaning liberal staff, promoting misinformation and disinformation with enthusiasm Durning the fake pandemic in 2020, the BBC held meetings with the Bntish Gov ernment and one can only assume that these meetings were to decide what hes to broadcast and what truths to suppress

The art of spreading misinformation and disinformation successfully depends upon the victirn betng prepared to believe what he or she ts told Repetihon of the mmsimformatron 1s vital and 1t helps 1f those spreading the hes are regarded asreliable and honest Over the years the BBC had built up a reputation as a respectable and honourable source of news but happily that reputation is now in tatters and surveys show that only a minonty believe anything on BBC news programmes

The pattern I have discovered, the map I’ve drawn, will not only explain what has already happened (not just in the last few years but going back longer than anyone alive can remember) but tt will also enable you to see what we can expect inthe future We do not ordinarily see these things becausethey are hidden from us, they are disguised when they are not suppressed Even when coincidences are pornted out to us we do not see them as connected because the hes are simply too great for us to comprehend (‘no one could possibly do that’, we say to ourselves) and the malefactors, the conspirators, too evil for us to understand The conspirators who have driven the conspiracy forwards are not just bad men and women tn the way we understand the word ‘bad’ We tend to think of serial killers as evil but the evil of the globaltsts 1s far beyond anything most of us can comprehend. Obama, the Clintons, Blaw, the Rothschilds, the Rockefeilers et al are just as irredeemably evil as Attila the Hun, Genghis Khan, Stalin and other psychopaths Their cold-blooded manzrpulations are designed to destroy everything we hold dear and everything we respect as human They live to manipulate by dece:rt The consprrators are different to the rest of us

Most people want to have some control of their own lives, they want a relationship, a home, some belongings and a position m their community They want to do what they can to help others.

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The consptrators are quite different they want power over other people and they have an msatiable yearning for wealth The conspirators’ actions are driven by how they see their role in the world (not by any desire to help the world) American bankers see US hegemony and the dollar’s posttion as the world’s reserve currency as vital to their own wealth and so they will do everything to protect these things They want a global government controlled by America They want to create comphance, and slavery, through social credit They use war to reduce a population which they regard as too large

And who needs all those people when robots and artificial intelligence programmes can replace many of them? In spring 2023, two British telephone companies warned of massive redundancies with Vodafone announcing that it was sacking 11% of 1ts workforce and British Telecom expecting to sack 42% of its work force Most of those made redundant will never work again and their skills will be allowed to wither Supermarkets are sacking staff members and replacing them with automated tills Soon the shelves will be stocked by robots Banks are closing branches and pushing their customers to do all theur banking online

One of the aims of Artificial Intellhgence programmes ts to make demoted humans feel worthless, mnsignificant and powerless The mampulators are using the myth of climate change to create naive followers who do their work for them in destroying ordinary society

14
Through a potent, toxic mixture of greed and selfishness, the neoliberals are dehiberately destroying mankind in order to ennch and empower themselves (The neoliberals really came into power with Bill Clinton's Democratic Party m the US

and with Tony Blair's Labour Party in the UK.)

If they succeed with their plans for the Great Reset, everything we are and care about will dre, not inevitably, as the stars are dying, but murdered by the evil few (far, far fewer than nought poimt one per-cent of the population), and their complacent, complaisant collaborators wha do everything they are told to do to oppress and suppress and who probably make up between one and five per cent of the population

I suspect that many of the collaborators, confused tgnorant, unmmnformed unmmapinative, greedy, obedient and paid well beyond they natural skills, do believe what they are told, they belreve that the world ts threatened by man-made global warming and that there really was a dangerous epidernic in 2020

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Back in 2020, I warned that the collaborators would be our nemesis I| still stand by that Our main threat has always come not from the conspirators them selves, who are such a tiny number that they could not possibly have great tnfluence over the world's billions, but from the politicians, doctors, central bankers, journahsts, NGO officials and celebrities who defended the conspirator’s theo ries and who promoted thei wicked schemes, the lockdowns, the vaccmes and ther endless hes

Electors every where keep putting their faith in political parties and 1n politicians They vote for different parties in the everlasting hope that they will one day be served by an honest government, It has been said that one sign of lunacy is to keep doing the same thing in the hope that the outcome will be different Every new government, everywhere in the world, promises much but dehvers nothing All political parties now make the same false promises and then ignore the will of the people who voted forthem Back 1n 1968, George Wallace potnted out that there wasn’t ‘a dime worth of difference between the two parties’ tn America. When voting 1s fiddled {as tt is now 1n so-called developed countries,

Just as much as it 1s in undeveloped countries) it is not with the aim of putting a particular party nto power but with the aim of establishing those individuals who are most readily controlled by the conspirators

In what was perhaps a weak moment of honesty, President Franklin D Roosevelt, who was President of the United States between 1933 and 1945 (making him the longest serving President in American history) gave us a vital warming but I don't think anyone took him seriously and most people didn’t listen He said ‘In politics, nothing happens by accident Ifit happens, you can bet it was planned that way

The fact1s that things don't keep getting worse by accident, they keep getting worse by design

Hopes and ambitions don’t fade by chance, and itis no comeidence that everything seems to go wrong in every country in the world at the same time

And anyone who draws attention to the evidence supporting these conclusions 1s regarded as deranged and ts immediately discredited, abused and demonised Professtonals, experts mn their field, who speak out against authority, are ostractsed and usually dismissed as ‘ight wing extremists’

You wil have no doubt noticed that officially there are no left wing extremists but that everyone who questions what governments do will automatically be labelled a ‘right wing extremist’ or, worse still, labelled as a 'terrorist’ or a ‘fascist’

or both In practice, of course, nght wing politicians have been moving steadily to the left for many years and today most leading politicians in the West are best desertbed as neo-liberal Stnce there 1s absolutely no :dealogtcal or technical difference between politicians on the very far left, known as commumists, and politicians on the very far right, known as fascists, the neoliberals can them selves be accurately descnbed either as international socialists, which 1s to say ‘communists’ or as ‘national socialists’, which is to say ‘fascists’ or ‘neo-Nazts’, according to how you feel

In reality, the political spectrum should have totalitarrantsm at one end and anarchy at the other All modern political parties are, however, best described as totalitarian in method and intent since their arm 1s to take total control over aspect of ourlives There 1s no difference between communism as defined by Marx, total control as defined by the Illuminati in the 18th century and the Great Reset (the New Normal) as proposed by the World Economie Forum, the United Nations and all main political parties around the world

When pohticians, bankers and billionaires around the world all get together todo the same things mm order to take control of the world’s population, what else can you possibly call it other than a ‘conspiracy’?

(Those who are puzzled by what is happening, ask why well-known billionaire financiers could possibly advocate communism The answer, of course, 1s that under the sort of communism practised in the USSR and China, the people at the top of the pile lived very different bves to the ves endured by the masses at the bottom of the prle Today’s billionaires may publicly advocate a very left wing brand of socialism but in fact they manage to protect their wealth and to avoid paying taxes by having their money, their super yachts, their private islands, and their mansions in the middle of huge acreages, carefully protected 1n trusts and foundations Socialism and communism are promoted because they are the most efficient way to control the wealth and activites of the ordinary citizens Communism may be promoted as a way to give power to the people but in practice the plan 1s to transfer all power to a bunch of greedy megalomaniacs)

Eventually even those who want to speak out are frightened to do so because they see what happens to their colleagues And the ignorant, half-blind collaborators who have done the demomising and the sneering find that they are ina position where they cannot speak out even if they eventually do see the truth They are committed to the hes they’ve told because to tell the truth would ex

pose their lies (And, 1n the case of doctors, for example, expose them to massive lawsuits)

Our daily enemies have for years been the woke citizens who have, for the most part unknowingly, served as helpers for the conspirators who have been working against us for a century or more, and who are now coming out into the open a little more as thew battle to create a New World Order reaches its zenith (For the record the phrase ‘New World Order’ was adopted for the title of a book by H.G Wells in the 1940s but the phrase was also used by Richard Nixon tn the early 1970s Nixon used the phrase frequently and it was regarded as referring to a world super-state - or the world government which has been the aim of the conspirators for decades)

Encouraged by the conspirators (who are experienced at using the naive and shghtly srmple-minded to promote their cause) the woke collaborators have done their best to destroy our histories and our culture They have torn down statues and worked hard to damage the reputations of those who opposed the conspirators So, for example, the woke collaborators frequently target Winston Churchill, attacking his statue and his books Anyone who has ever stood up for freedom im any way 1s maligned and must be erased from culture and history

15

Justice and hberty are now little more than historical concepts, illusions which are today only beheved by the naive, the gulhble and, of course, the completely complrant Judges are as corrupt as politicians, journalists and doctors and everyone in public life

Western societies were set up to separate the various parts of government, and we are taught to believe that is how things stillare Thomas Hobbes said that ‘freedom 1s government divided into small fragments’ But it isn’t how things are today The various branches of government, the parts dealing with the making of laws, the adrmmuistration of laws, the control of the police, finance, banking and the trade unions may appear to be separate but in practice they have been brought together Nothing shows this more clearly than the way the European Union operates The European Parliament has virtually no powers and all the decisions are taken by unelected eurocrats who are themselves controlled and influenced not by ecrtizens but by lobbyistst When the English people voted to take their country out of the European Union in the historic ‘Brexit’ vote, the establishment (which ts to say the highly paid e:vil servants and others employed

In various ways to administer Government policies) simply refused to make any real changes to the way the country1s run The result was that a barrage of new laws were passed by the English Parhament and added to the thousands of EU laws which should have been abolished, but which were kept

As Lord Acton famously said. ‘Power tends to corrupt and absolute power cor rupts absolutely’

Government money (which 1s to say taxpayers’ money) is regularly used to reward favours and to buy complicity and silence And, as the population struggles with roaring inflation, interest rates higher than many people could remember (or were prepared for), disruption caused by climate change nutters, threats of this and that from governments, quangos and the mainstream media, the umons have mntroduced massive pay demands designed, it seems, to create mfts and to make the poor ever poorer Doctors demanded a 35% pay mse and when that was refused, went on strike and increased their demand to 45% Hospital consultants threatened to go on strike and they too wanted a 35% pay rise to add to ther minimum £120,000 a year Nurses went on strike The poor and the elderly were left behind Most demands came from state employees (who were already the best paid and the least hard worlang and had the best perks such as pensions and the ability to work from home or not at all when the fancy took them)

Who was behind the endless strikes?
The usual culpmts of course
The globahsts behind the strikers knew that avilisations collapse when the

gulf between mch and poor gets too big and that ts exactly what ts happen ing And, of course, the middle classes are being destroyed with ever increasing taxes

Individual bberty and free speech have been sacrificed for what we are told 1s the collective good

We live in totalitarian states where we are no longer expected to think for ourselves or to manage our own lives in the way we see fit How long willit be before we are not allowed to think at all?

16
The two party state has become the one world state

It is umpossible to discern any real difference between the two main political parties in the US or the two main parties in England All parties support the war

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against Russta, all supported the covid fraud The parties pretend to squabble occasionally but it 1s all play fighting We are now inches away from a World Government and since the {American owned) International Monetary Fund has already established its first global tax agreement, the World Government isn't far away

Fifty years ago we were told that the world’s socialist governments would come together, under the auspices of the United Nations, to form a global superstate (China was brought into the United Nations because the conspirators Knew that in order to control all the world’s banking and resources, they needed

every country in the world to jon the UN) This new coalition would, it was said, be the Great Merger Nothing much has changed except that things are now moving much rapidly towards global governance and the joining together under what has been mysternously renamed the Great Reset

It 1s interesting to note that back in 1950, Richard Nixon, who was a congressman at the time, introduced a ‘resolution calling for the establishment of a United Nations police force’

And soit came about, of course
But the United Nations didn’t hmut itself to a police force Psychologists, be-

havioural scientists, agronomists and others were employed to work out ways to cornitrol people

Right at the beginning of the UN’s life, there were plans to reduce the size of the world's population and to enforce sterihsation

(It has been reported that some widely promoted vaccinahon programmes were actually designed to reduce fertility Bill Gates, the amateur vaccine propagandist, claimed that the vaccines he was promoting would save lives and reduce the size of the populationin Third World countries Itis difficult to see how those two opposing aims can be reconciled unless the vaccines being used had some effect on fertility — a possibility for which there 1s now a good deal of ev idence In numerous countries around the world, euthanasia programmes have been tntroduced in order to eliminate the elderly and the sick by encouraging them to end their lives In 1953, Evelyn Waugh wrote a novel called Love Among the Ruins in which he described a state-run euthanasia centre In Trudeau's Canada, the Government has introduced a very forceful euthanasia programme called 'medical assistance in dying’ There were 13,000 state sachoned ‘suicides' mn Canada in 2022, and that country is now deciding whether to allow children and the mentally tll to kill themselves In the Netherlands, healthy individuals

with autism are allowed the option of euthanasta, and Australia is deciding whether to let children as young as 14 loll themselves (or allow someone to doit for them) Today, euthanasia is legal in Belgium, Canada, Luxembourg, Netherlands, New Zealand, Spain, Columbia and parts of Australia

In hospitals tn the United Kingdom, it is now routine for patients who are admitted to hospital to ask if they want to be resuscitated 1f they fall seriously ill Patients are warned that resuscitation can be painful and difficult and may leave them with broken ribs As aresult, many agree to have Do Not Resuscitate’ labels put on their hospital charts Pattents who are frail or unable to give consent are often labelled ‘Do Not Resuscitate’ without the consent of relatives, and the decision not to provide care for patients who are senously ul may be made by quite junior nurses instead of a team of doctors and nurses as used to be the case a few years ago

All over the world, there are plans to destroy local police forces, to destroy local health care and education programmes and to make sure that all atizens (in countnes such as the US) hand in ther guns The plans onginated with the United Nations

Anyone who has ever worked for the United Nations must have known exactly what was happening and must have understood the aims of the organisation for which they were working UN staff are mghly paid and lowly taxed, and were and are traitors who should be executed for thew crimes against mankind

To encourage citizens everywhere to accept the idea of more State control, it was decided that noters should be allowed to disrupt towns and cities all over the world, ostensibly campaigning against racism, chmate change and other 1ssues These plans were made over half a century ago Individuals campaigning against the plan for a world government were silenced and arrested but indi viduals whose activities were considered ‘acceptable’ to the conspirators were allowed to do pretty much what they wanted to do Today, there is evidence that the demonstrators who are left alone by the police (the ones campaigning for ‘black lives’ or for ‘net zero’) are receiving vast amounts of money from nch conspirators and, »ndeed, demonstrations are allowed only if they are approved by the conspirators Groups of people complaining about the use of oil are al-

lowed to disrupt traffic, damage buildings and cause massive inconvenience In an attempt to appear even handed, the pohce will occasionally interfere and the courts will punish one or two of those involved but only well after the fact and never before - as frequently happens with those protesting about the conspiracy or about the monarchy No one in Parhament seems to care overmuch that the activities of climate change protestors are undoubtedly responsible for far more deathsthan climate change itself People have missed essential hospital appoimtments, ambulances on emergency calls have been halted and motorists have been unreasonably subjected to the stress of interminable and unnecessary delays The comphieity of the police and the courts makes 1t clear that these tllegal activities are condoned 1f not encouraged by the authorities And as a bonus, the demonstrations provide excuses for the conspirators to mntroduce more oppressive laws, to give the police more powers and to take away freedom and privacy from everyone

The campaigners don’t realise 1t but they have been manipulated and controlled hike so many puppets Campaigns for affirmative action and positive discomunation and demands for reparation have been organised by the conspuators to create a new form of acceptable racism, designed to create anger and racial disharmony

The acceleration of the climate change fraud whichis promoted by a small but very vocal group of bad ternpered, aggressive, hectoring and ignorant fools with no respect for others is talang us, unwillingly, towards the lunacy of net zero The clumate change fanatics (having feasted on a diet of pseudoscientific arguments) think they are now minning the world And, indeed, they are

On the face of 1t, their hectoring and campaigning has been extraordinanly successful but in truth, of course, the campaigners have been allowed a free ride The campaigners have been funded by bankers and hlhonaires who sometimes masquerade as philanthropists

(All great fortunes were, of course, obtamed through lying, cheating or stealing or all three and more It 1s possible to become a millionaire through hard work and :magination but itis only possible to become a billtonaire through dishonesty or through having an ancestor do something dishonest on your behalf)

The chmate change fraud was, of course, all about money and power The self-styled environmentahsts and greens who promote the climate change myth want to step Afncan countries from using fossil fuels Since without fossil fuels those countries will never be able to advance their civilisations in the way that

countries in the West have progressed, tt seems undenrable that the whole net zero climate change argument is wredeemably racist

I'm afraid that environmentaltsts and Greens are often deeply unpleasant people A fellow from New Mexico, called Dave Foreman, who co-founded an orgamsation called 'Earth First" 1s reported to have described humans as a cancer on nature’ Foreman, an ultra-radical environmentalist, favoured ‘demonstrations':n which members drove sprkes into trees (potentially killang foresters and in at least one case resulting in the operator berng severely injured), tore down power lines, sunk whaling ships and poured sand into the fuel tanks of logging equipment

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In 2020, the conspirators ramped up their battle to take over the world by intro ducing the entirely invented ‘coronavirus pandemic hoax

Right from the start it was clear that the pandemic hoax had been invented for three matn reasons to bring tn some form of compulsory vaccination programme, to provide an excuse to exterminate a large number of old people (the conspirators have long felt that the world 1s overpopulated and long wormed that the elderly population costs too much In pension payments) and to create a situation where cash could more eastly be outlawed That’s what I said in February and March 2020

There was more toit, of course

The conspirators had decided to use their fake pandemic to help them lead

the way forward to the development of a world government — the great reset, the new normal, the new world order

All this was being promoted by the World Economic Forum (with its extraordinary enthusiasin for the abolition or private property, as promoted in the Communist Mamifesto by Karl Marx) and by a secret organisation known as the Bilderbergers which consists of a bunch of bankers, arms dealers, drug company

bosses, food company bosses and obedient politicians

The fake pandemic with its lockdowns and enhanced compliance programmes was seen as an essential step towards the introduction of a system of social credit, digital currency and digital passports The covid fraud was seen as a way to obtarn total control over all citizens

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Central bankers, bankers and left wimg politicians are al! desperately keen to eradicate cash and to force everyone to use digital money - in the form of credit cards, debit cards, crypto-currenctes and accounts with organisations such as PayPal Scores of central banks already have their digital currencies ready - eventually they'll be moulded tnto a single global currency known as the Universal Monetary Unit or, quite possibly, the Unicoin

The standard argument of those who want to replace cash with digital currency ts that using your smart phone at the till is more convenient than using cash What the bankers and collaborators don’t mention 1s that the price for that convenience ts compliance and slavery You can flash a piece of plastic, your watch, your smart phone or your tattooed or implanted wnst, instead of having to put up with the burden of carrying cash in a wallet or purse, but the unspoken dowmside ts that in return you have to put all your trust in the integnty and good intentions of the bankers and central bankers - people who have already boasted that they will use your rehance on thetr services to decide how you spend your money, Where you spend 1t and how much of it you are allowed to keep

The bankers, the conspirators, want to control every transaction as part of the social credit-digital world they are building Governments, banks, supermarkets, travel agencies, health care services, the police willcombine their databases with YouTube, Google, Facebook and other monstrously intrusive organisations which collect, own and then sell your private information

I've been warning about the end of cash for at least three decades, and the conspiratornal authonties have been pushing hard for the introduction of digital currencies since the days before laptops and smart phones

Today, the bankers (arded and abetted by politicians) are closing banks as fast as they can (arguing falsely that everyone wants to bank online) and they're making it difficult to take cash out of your bank ATM machines are rapidly dis appearing, and if you try to take cash out of your account over the counter you could well end up being interrogated hke a criminal.

Once the digital currencies become the only way to earn, save or spend, we will all be slaves The central banks will be able to control our money They already plan to limit each individual to between £10,000 and £20,000 Anything more than that will simply disappear Negative mterest rates will discourage savings Money wil have a limited shelf hfe —just as money 1n mobile phones can disappear after a few months And the bankers will decide how you can spend

your money

It is worth pomting out, by the way, that the central banks have mostly become ‘independent’ When this happened in the UK, in 1997 the Labour Government misled the country, saying said that it was giving the Bank of England its independence and granting it operational independence over monetary polrey so that it could be free of government influence In fact, this was rather dis Ingenuous since all central banks were mod:fied to suit the requirements of the financial elites —- who prefer to deal with independent banks In the European Union, it was the Maastricht Treaty which gave tndependence to the central banks The European Central Bank, in the EU 1s controlled by Deutsche Bank (which was for along time controlled by Abs, a former Nazi) and other German and European banks The EU and its Parhament have no control over the bank or its policy Monetary policy all around the world 1s controlled by the world’s leading financial stitutions Governments, remember, have no control

Everyone, it seems, wants to get rid of cash
First, companies which accept payment by card have to pay commission to

the credit card compames The commission can sometimes be very high with 5% and 7% commusston rates not at all uncommon

Second, clearing banks don’t hke cash because handling it ts thme consuming and, therefore, expensive Moving money around simply by pressing numbers on a keyboard 1s much quicker and cheaper (though, curiously, the length of time required to move money from ane account to another seems to have lengthened since such methods became available)

Third, governments and government agencies love to see citizens forced to rely on digital money because 1t 1s much easier ta keep control of what everyone 1s earning and spending when all money goes through computers So, for example, in the UK the tax office (HMRC) easily obtained details of what taxi drivers are doing by looking at the records from compames such as Uber When drivers apply to renew their licences, HMRC sends out threatening letters suggesting that they may have made an under declaration or no declaration at ail

And, of course, there are all those individuals who think that using plastic to pay for everything 1s clever and modern They don’t realise that plastic cards and chips under thetr skin are enslaving them and removing the last vestiges of freedom.

Any business which rehes on a financtal trail (eg one that uses an e-commerce site) can now be easily momtored by all government departments And, of course, it 1s much easier for banks or the Government to cut off an individual’s

access to their own money 1f everything 1s done digitally And when all money is digital, banks and other financial mnstitutions will be able to charge what they like Tax authorities will take what they like from your account

In the new world of digital money, anyone who shares what ts labelled ‘hate speech’ or 'misinformation’ will be banned from having an account (It

1s, of course, already happening) All those old tweets, and the trme you gave a ‘thumbs down’ to the WEF, will be marked against you

Remember how American citizens who gave money to the Canadian Truckers had their bank accounts frozen? If you’ve ever criticised your government then they will make you pay heavily for your tmpertinence

Those indrviduals who have already lost their PayPal accounts will probably never be allowed to have digital accounts And without digital accounts they will starve

It’s already becoming nigh on impossible to buy petrol without a credit card And the number of car parks where cash is strll accepted is shrinking fast

Banks throughout the world are preparing to close down all free thinkers If you think I’m exaggerating just check out what has already happened

It has been made clear (by the Bank of England and other clearing banks) that when cash has been replaced with digital currencies, the banks will control how people spend their money It will be possible to make broad judgements (for example, no one will be able to buy aleohal) and spectfic ones (patients with early heart trouble will not be allowed to buy certain foods) It will also be possible for governments, banks and companies to monitor spending habits So,ifthereisa shortage of eggs for example, the authonties will be able to make sure that no one buys more eggs than they are allowed

Removing cash from soctety will make life incredibly difficult (for which read “smpossible’) for those who are not computer hterate, for beggars and for char-

ities who rely on cash The quality of our lives will be massively dimmushed by the disappearance of cash And, of course, getting rid of cash can be used to track where we go and what we do

Many local counctls are now foretng motorists to use an App avatlable only on a smart phone to pay for parking, and 1n those places it 1s impossible to pay for a parking place with cash The mformation which motonsts are forced to give can be used in many ways (and will be sold for a variety of purchasers so, for example, thieves will know when householders are away from their homes) Forcing motortsts to use a stnart phone in order to park a vehicle is clearly discrmina-

tory (since 1t means that those without a smart phone cannot park) and almost

certainly illegal

And, of course, people tend to over-spend when they use credit or debit cards for everything they buy Using cash helps keep people out of debt

It’s vital to remember that they want to get rid of cash for their benefit and not for our benefit Removing cash will empower the conspirators and remove, for ever, the last vestiges of our independence

We really are close to the end as far as cash is concerned According to data provider Merchant Machine, cash is now used in only 1% of payments in the most digitaltsed economies in the world, now including Sweden, Denmark, Singapore and the UK Every time anyone uses a credit or debit card, or flashes a contactless payment card for a small purchase, they are taking us closer to a dig Ital society and digital enslavement.

The end of cash 1s now just months away
And when cash disappears tt will take with tt the last vestige of our freedom
The restrictions on what we can, and cannot, do with our own money get

longer by the day For example, states within the EU will have to collect information on the ownership of luxury goods such as aeroplanes, boats and cars and each member state will have to establish a financial intelligence unit’ Rules in England now make tt extraordinarily difficult for citizens to access their awn money or even to move it from one account to another

I recently tried to take some of my money out of my account and was shut in a room and interrogated like a criminal before eventually and rather begrudg ingly, being given an envelope containing the cash I'd asked for

Even moving from one account to another has become fiendishly bewildering and time consuming

I was standing in a bank the other day trymg to move money from one account to another I was moving my money from one of my own accounts to another of my own accounts [don't know uf you’ve tried doing this recently but it gets harder by the week You need to produce a driving heence or passport, of course (Heaven help you if you don’t have one or the other, or preferably both) And you need your bank card And, depending upon the mental state of the cashier, you may need a utrhty bill, a tax form and a council tax demand You may soon need a note from your mother

And, of course, they now have a veritable litany of questions to fire at you ‘Has anyone asked you to make this transaction? Are you under pressure to do this’

And so on and so on They pretend the questions are to protect us but only the naive and dim-witted belzeve that These stupid questions are devised by very wicked people to delay the whole procedure and to force us all to bank online

One of the daftest questionsis this one ‘Is anyone waiting outside for you?’
Standing next to me, at the neighbouring window, stood a little old lady well,

inher nmeties She too was trying to move money from one account to another
so that she could pay a bill

‘Is anyone waiting outside for you?’ asked the bank clerk
'Oh yes,’ satd the little old lady naively 'My friend brought me’
The clerk looked as pleased as if she'd won the lottery ‘Oh, well Ican't help you

then,’ she satd with a big smile and a sense of satisfaction you could have bottled
The Irttle old lady didn’t understand ‘But my nerghbour had to bring me,’ she

explained. ‘I'm 93 [had to give up my driving licence'
The poor woman didn’t understand that logic and honesty are no longer

relevant
‘But your neighbour might have put you under pressure to make this trans

action,’ said the clerk, bum full of sanctimonious, self-nghteous, box-ticking
obedience

'My netghbour?' said the old lady ‘Why would she do anything nasty to me?
I've known her for nearly 50 years " She looked around, bewildered ‘I've been
banking here for years Doesn't anyone recognise me”

‘That doesn’t matter,’ sad the clerk, her joy now slightly diluted by exaspera
tion ‘I can’t help you if you have someone waiting for you. Those are the mules '
And then she added the killer It’s for your protection’

And so the old lady, puzzled and confused, tottered out of the bank and back to
her netghbour’s car

I swear that happened AndI’m not surpnsed
(The banks make a great fuss about our responsibilities and thei lack of

them. But did you know that Barclays Bank has just been fined $361 mullion
by the US Securities and Exchange Commission? And do you know why? Well,
they ‘accidentally’ sold $17 7 billton worth of structured financial products for
which they did not have authorisation The total effect on shareholders (includ-
ing many pensioners), as aresult of this $17 7 billion ‘accident’, was to help push
down net mcome by 19% The httle old lady's one mistake was that she didn't
tell the clerk to move $17 7 billion that she didn’t have from one account to an

other They’d have done that with a smile and probably given her a free pen and
a cup of coffee too)

Morons (of whom there are many these days) claim, as they have been told,

that the inquisition 1s for our benefit That's yet another lic The banks want to force us online And, as a side effect, they want to absolve themselves from blame when they screw up (which they do on a regular basis) If you want evidence that the banks have been pohticised just look at the way that individ- uals who dare to stand up and question the system lose their bank accounts In Canada, mtizens who stood up in defence of truckers protesting about vac- cine mandates, lost their bank accounts And the same thing 1s happening with fnghtening regulanty everywhere else In England, the boss of an independent platform carrying free speech videos lost his bank account and found that no other bank would accept hrm as a customer No one could tell him what his crime was Nigel Farage, the well-known politician, was suddenly told that a bank he had been with for 40 years was going to close his accounts - both business and personal A man who asked why his local biuulding society was fes tooned with flags celebrating homosexuality found the cost of free speech when the building society responded to his query by closing his account

Bank staff seern to have been indoctrinated by the same people who indoc- trinated NHS staff, train drivers, civil servants, teachers, council employees and Just about everyone else in this increasingly miserable and oppressive world of ours

(Teachers call what they do ‘bramwashing m a good cause’ But can braim- washing ever be defended? If the evidence for their clams were sohd and honest they would not need to make stuff up or to attempt to brainwash their students For decades now, school teachers have been tndoctrinating rather than teaching ther pupils, promotang the myth of chmate change, changing history to meet woke demands and altering the balance of history to suit their propaganda And refusing to allow pupzls to question or debate the official version of history)

Taking cash out of your own account has become an exercise in patience and determination

I recently went into a branch of my bank wanting to take out some money - a little more than the machine would allow me to withdraw I[had bills to pay and I wanted to buy some presents

‘Are you going to take this money home and keep it there?’ asked the clerk

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I thought this was an incredibly stupid question The woman was a stranger and she had my address on a screen in front of her She wanted to know nf I was going to take money home and keep it there to be stolen What an idiot So 1 was a little cautious As any sensible person would, I said ‘No’

'So, why do you want this money?’ asked the smpertinent bank clerk
‘To buy sweets,' I replied It has been my standard reply to this question for

years
Bang | could tell from her eyes that the metaphorical shutters had come

down
You can't make light-hearted comments any more
The clerk looked at her screen as 1f it were telling her something
‘Your request has been blocked,’ said the clerk
In full sight of other customers I was ushered into a room and the door was

closed
And I was interrogated I felt like a criminal Most people would, I think, have

found it a humiliating and embarrassing encounter
Phone calls were made | was instructed to answer questions put to me on

the telephone (I couldn’t understand the questioner’s accent and so! needed a translator) To check my identity I was asked for my date of birth (a piece of information that is about as secret as Prince Harry's level of affection for his brother)

And eventually, after what seemed hke several hours of interrogation, I was, with ill-grace and no apology, given the amount of money | had requested.

It wasn'ta loan 1 was asking for It was my money
(As an aside, a week later we had to call a drains expert in to deal with a

drain which had been blocked by tree roots The man dealing with our drains told me, in precise detail, about my experience at the bank He even knew the precise amount of money I’d tried to take out of the bank Banks may pretend to care about their customers but there are, :t seems, no longer any rules about confidentiality)

It 1s, of course, all part of the scheme ta force us to bank online ~ ready for the digital currency they have ready for us

Your bank hates you They want to tum you mto nothing more than numbers ona computer

And the staff of banks everywhere are, | fear, too stupid to realise that as soon as the digital currency is here, managed entirely online, then they will all be

surplus to requirements Every last one of them will be joining the dole queue - where they wall stay forever, surviving on their Universal Basic Income and liv-Ingina small cardboard walled flat the size of a dog kennel

The idea of providing citizens with a Universal Basic Income, now so popular with governments and consp:rators and neoliberals everywhere, is not a new one During his first year as President of the United States, Richard Nixon announced his ‘New Federalism' programme which would provide a Guaranteed Annual Income to al] Americans The proposal would have massively increased the power of the Government Left-wingers welcomed the idea as an example of

‘creeping soctalisrn’ Nixon also suggested a decentralisation programme which was ostensibly designed to spread power to local politicans by handing out subsidies and payments Nixon announced that he had become a Keynesian What he forgot to mention was that John Maynard Keynes, the economist, was a socialist whose intention was to promote the ‘euthanasia of capitalism’ Like almost all economists who followed him, Keynes was a neo-liberal, an mtellec-tually, emotionally and morally stunted breed without whom the conspirators would have never been able to promote their Great Reset The chief beneficiaries of the efforts made by the neo-liberals have, of course, been those 'working' in the finance, insurance and real estate sectors of society for those are now where wealth accumulation is taking place - well away from traditionally useful com-mercial and productive activities The chief losers have been those involved in making and selling products which people need 1n order to live and the clear winners have been those m financial services who pay themselves huge bonuses even when their banks are losing money The global economy ts not built on the handling of money rather than the making of things or providing those services which make people's lives better

Much of what is happening 1s described as progress but it isn’t really, of course — it’sjust change Anda good deal of itis change contnved to keep us all too busy to notice what ls gotng on tn the world, and too wrapped up in our own daily prob-lems to take action against the conspirators, the collaborators and the constant attacks on our freedom and humanity Even small thmgs become incredibly time consuming and exhausting The bizarre and indefensible ‘recychng' pro-grammes which were introduced globally (everything happens in lockstep these days) were designed to make us worry about non-existent climate change, to

make us compliant and to force us to accept that we must do what we are told, even in our own homes, and to keep us busy Most of the carefully washed and sorted recycling material ts dumped or burnt, and the environmental cost of col-lecting recycling material far exceeds any value that might accrue Inthe UK, for example, much of the recycling material has been carried to countrtes far away to be dumped or burnt There isn’t even any point in recycling paper (the most traditional recycling material) It 1s better for the environment to grow trees for that purpose and to burn the discarded paper to produce electricity or heat

If you order a book {or whatever else) online you will be bombarded with emails There will be a message to say that the purchase has been made, one to say that your order is being dealt with, another to let you know that the book has been passed to the delivery company, one to let you know that the delivery company has received the package, one to inform you that the dehvery company Is preparing to deliver the book, one to iet you know that the book is on its way and one to tell you that the package has been delivered Then you will receive an email from the seller to let you know that the delivery company has done their job and delivered the book. Later there will be another email from them wanting you to rate their service and one from the delivery company wanting you to let them know how well you think they did. If you don’t reply immediately those emails will be repeated at regular intervals This barrage of unnecessary emails

keeps us occupied with pointless trivia (Not infrequently, I receive two copies of each of the emails in this tedious chain }

The word ‘progress’ 1s used as a synonym for ‘better’, but how do you define ‘better’? Is receiving an email from a fnend on hohday better than receiving a postcard? Is the world better when cars all look exactly the same? Is it better when log fires are forbidden by health and safety officials? Are trains better now that there are no restaurant and sleeper cars? Or has hfe been destroyed by fanatics, cultists andignorant meddlers, acting, unknowimely, on behalf of conspirators arming for a Great Reset? Is life better now that there are no junk shops, norag and bone men and no odd job men who could repair just about anything you couldn’t deal with yourself? Is life better now that family doctors work the same hours as librarians and you have to plan your emergencies a day or two ahead 1f you hope to ride to hospital m an ambulance? Are hospitals better now that nurses spend more time in meetings than on the ward and are always too busy, and self-important, to find a bedpan, plump up pillows, help a frail patient with their meal or put a bunch of flowers into a vase? Is it progress that children

now learn with the aid of iPads mstead of berng taught with pens and paper and chalk and a board? Isa smart phone real progress over a piece of slate and a slate pencil? Children half a century ago played hopscotch, skipped with ropes and in the winter played football with coats as goalposts whtle tn the summer they played cricket with stumps chalked on lampposts On their summer holidays they splashed in paddling pools or sailed toy yachts on boating ponds (all now filled in for health and safety reasons) and they rode on donkeys and played one penny games on the pier Is it simply nostalgia when you Know in your heart that things really were better then?

If you object to all progress then the conspirators will label you a ‘Luddite’, even if much of what they label progress isn't progress at all

It rsn’t difficult to argue that children have little or no future today The conspirators and the collaborators have taken away their education, their hope, their sense of comfort and even their happiness Mental health problems among the young are tising at arate never seen before Even before the fake pandemic of 2020 the incidence of such problems among the young was frighteningly high Today, there ts an epidemic of mental illness Millions of children, teenagers and young people are takong tranquillisers and anti-depressants (even though these have been proven to be of no value) and often taking them for years at a time The lockdowns, the social distancing regulations and the partial or complete closure of hospital departments mean that those requiring specialist help will beon waiting hsts for years if not for life

Is a pub with a log fire and fnendly bar staff better than a pub with a good internet connection? Are motorways, with endless queues, better than winding country roads which take you to your destination just as quickly and with far more pleasure? Are self-driving cars better than cars which have to be driven? How will self-driving cars manage to navigate English country roads and all those tiny, bind junctions* Who 1s going to provide a suitable call out service for

all the electric cars which are stranded in country lanes when their batteries run out?

Is a traditional English breakfast better or worse than a bowl of sugar coated cereal? Why does it now take a week or more for a postcard to reach its destinahon when in Yictonan times, in the 19th century, a postcard put in a pillar box in the morning would armive at 1ts destmnation in the afternoon? The postcade or zip code was, surely, an early sign of the end of civilisation I recently bought around 1,000 old Edwardian postcards (no one wants them these days - they

Tir 20 rns welt nr book 31%:

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cost just a few pounds) and although the addresses consisted of nothing more than {at most) a name, a number, a street and a town, the cards clearly reached their destinations safely There ts less mail today because so many people use email - so why does the mail take so much longer to get where it's going?

Is reading a book on asmart phone easier and more fun than reading a paper back - with no need to squint and constantly adjust the position of the screen on a sunny day? Was the NHS better when there was a dental service for all? Were charities more or less inclusive when they served merely to serve those in need rather than to enrich executives and advertising agencies’ Was life better when we used public phone boxes instead of having to carry a mobile phone with us? Were radio and television programmes worse when traditional events such as the Promenade Concerts celebrated cultural traditions rather than global ones?

Was the Tate Britain art gallery better when it paid more attentzon to traditional artists than te the demands of the woke’ The Tate Britain gallery now has just one room for art from 1545 to 1640 but 14 rooms devoted to art from 1940 onwards Of the work on view, 200 items were made since the millennium

and the work mm the publicly funded gallery has been carefully curated to ensure that men and women are equally represented among living artists — regardless of reputation or the value of their work Modern art on display, representing just a twentieth of the time span of the collection, takes up a quarter of the space Culture, as well as history, has been changed ta fit the requirements of the conspirators and the collaborators. Labels attached to older pictures highlight social injustice, colonial exploitation and prejudice The gallery seems to illustrate the way in which the feelings of the few now dominate the views of the many tn every sphere of activity

The aims of the WEF and other organtsations seem to be to destroy each nation’s hentage, to destroy every country’s culture In the UK, all major institutions seem to have become very woke The National Trust, the Marylebone Cricket Club and other former mstitutions are now unrecognisably woke — to the great confusion of long-standing members Long established regiments 1m the army have disappeared or been merged

The aim of the conspirators is to change the world by erasing nations, farnihes and communities and by destroying everything humans consider to be personal and valuable Immugratron (whether legal or Wlegal) 1s encouraged 1n order to

create impoverishment, resentment, racism, terrorism and pienty of excuses for war (Asan aside, it used to be thought that patriotism was good but nattonalism

Ti 19 mins welt np book 31%:

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was bad Today, however, both are unacceptable because there can be no countriesin the New World Order)

Naturally, immigration programmes have led to resentment on both sides and, especially in France, the development of racial and cultural ghettoes 1s leading to civil war

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In this book I will show how the United Nations, the Round Table, Black Lives Matter, the Democrats, the Republicans have destroyed our hives with the controversies over gender (with imsane gender language changes being introduced with the sole idea of creating confusion and destroying human relationships), transgender politics (also designed to bewilder and create diviston) and exaggerated campaigns against sexual abuse (‘He said my haw looked mice’, ‘He said he hiked my dress’ 'My hfe 1s now ruined’) A wolf whistle used to be regarded by most women as a compliment, today it is a criminal offence The conspirators have deliberately created diviston, distrust and fear between the sexes, and the neoliberals who run the global economic system have consistently shown that ther arm ts not to create more fairness, or to advance the rights of women in those countries where unfairness is commonplace, but to create as many divisions as possible between men and women The atm of the neoliberals who make up the Establishment, and who are pushing us towards their beloved Great Reset, 1s to break up soctety 1n as many ways as possible so as to ensure that men and women are too busy fighting one another to worry about the progress to wards the New World Order Itis for this very same reason that national history and national and regional culture are betng banished from every aspect of life, and why schools and colleges no longer teach students material which could be construed as patriotic or in any way Lkely to lead to preater pride

23
Then there are the absurdly exaggerated accusations of racism, always popular with communists who see such accusations as a way to break down society, with accusations buult on the flimsiest of pretexts (‘He couldn't pronounce my name properly and so he 1s a racist’ ‘He didn’t pick me for his team and so he must be a racist’) A well- known personality had to issue a grovelling apology after people with too much treme on their hands found that he had once sent a tweet commenting that he perhaps needed to learn another language when he was tn

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The attempts to outlaw racism themselves produce racism, « 5 course with affirmative action and positive cdhscrimmmatron being nothing more than racism of another colour Appointing a black wotan to a company board of directors symply because she 1s black and female, and helps the company hits its diversity quota, 1s racist and sexist and just plan wrong The black woman should

In this book I wall show how the United Nations, the Round Table, Black Lives Matter, the Democrats, the Republicans have destroyed our lives with the con- troversies over gender (with insane gender language changes being introduced with the sole idea of creating confusion and destroying human relationships), transgender politics {also designed to bewilder and create division) and exagger ated campaigns against sexual abuse (‘He said my hair looked mice’, ‘He said he liked my dress’ ‘My hfe is now muned’) A wolf whistle used to be regarded by most Women as a compliment, today it 1s a criminal offence The conspirators have deliberately created division, distrust and fear between the sexes, and the neoliberals who run the global economic system have consistently shown that their arm is not to create more fairness, or to advance the rights of women in

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The attempts to outlaw racism themselves produce racism, of course, with affirmative action and positive discrimination being nothing more than racism of another colour Appointing a black woman to a company board of directors

simply because she 1s black and female, and helps the company hits its diversity quota, ts racist and sexist and just plain wrong The black woman should be ap pointed because she is the best candidate and will do the best job for employees, shareholdets and customers

Advertisers who show photos of happy couples or families mnvariably show a black couple or a black man and a white woman (usually a blonde) It is now un- common to see any white men appearing in print or televiston advertisements

This isnt simple political correctness but is done because it enables the adver- tiser to avoid any accusations thatit might be racist It is virtue signalling and it s actually racist of course

lread recently of the exastence of an ‘mitiative' in the UK called ‘Black Farmer’s New Face of Farming’ with a range of food products called ‘The Black Farmer’ In the United States there 1s an organisation called Black Farmers’ Market And there are a number of trade organisations along these lines There is, for exam- ple, a National Black Police Association and in London there is the Metropolitan Black Police Association There ts a Black Writers Guild, a Black Writers Society

and a Black Writers’ Association And there is a Black Agents and Editors’ Group I can’t help thinking that by defining a group according to sian colour these no

doubt well intended individuals are sustaining and even creating racism And I wonder what the reaction would be if a group of farmers founded an organisation for white farmers Or ifa group of white policemen founded an association called the White Police Association I find xt difficult to avoid the suspicion that creating racial groups in this way 1s part of the conspirators' plan to create disharmony im society

In June 2023, it was revealed that the RAF has been practising discrimination against white men 'Dtscriminatton' is, of course, just a pohte word for 'racism' If a black manis unfairly treated because of his skin colour it ts racism and there 1s an uproar, sackings and scandal [f a white man 1s unfairly treated because of his skin colour it 1s discrimination and no one cares There seems httle doubt that if racism ts 2 serious problem in the UK it is white men and women who are most commonly the victims

We see footballers and other sportsmen kneeling in an attempt to show their moral integnty but merely displaying just how easily they can be mampulated They seem to me to be displaying shallow fake compassion and their own propensity for virtue signalling When it comes to the crunch, however, the sportsmen seem sadly short of moral courage At the World Football Cup in

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Qatar, for example, male footballers bravely announced that they would wear a rainbow armband during the tournament to show thew support for homosexuals (For unknown reasons, homosexuals have stolen the rainbow, longa Christian symbol, asanemblem And homosexuality is outlawed tn Qatar One might have thought that a better and more fitting way of expressing their feelings would have been to refuse to go to Qatar at all) However, when the organisers announced that footballers wearing ranbow armbands would be sanctioned, the footballers all abandoned their enthusiasm and put away their rarnbow armbands

The Bank of England {which ts responsible for making a mess of the Enghsh economy and failing to control inflatron) has said that people of any 'gender identity' (I think they mean men or women but who knows) can be treated as pregnant And the Bank ts having some gender-neutral lavatories built so that lady bankers and gentlemen bankers who aren't sure of their gender identity can go to the loo together and share the expenence in polktically correct harmony The Bank's insane pregnancy policies mean that anyone can now be classified as a birthing parent and claim family leave from the bank, | bet there are some people facing 7% mortgages who wish the Bank would concentrate on inflation and worry a little more about the economy and a little less about showing how wokey it is

There are endless attacks on mascuhmity and femmunity with constant pressure towards unisex washrooms and a untsex world We can only stand and watch the banishing of the family unit and the nse of the State as a central factor tn our lives, the prejudice and dishonesty of the mainstream media (which now seems to specialise in rmisinformation and disinformation and rarely if

ever, reports the news without a built in judgemental commentary), the nse of homosexuality and the remainder of the specialities within the LGBTOQIA community (I tried to find out what the Q, the! and the A stand for but failed in this simple task No one 1 spoke to knew the answer, and even the internet was unable to provide an answer)

It used to be considered polite for a man to offer a co-worker or friend a compliment (‘Your har looks nice’, ‘That dress suits you' and so on) without any one being offended Indeed, 1f the comphment were a genuine one the recipient would be pleased and flattered Today, such remarks are considered to be signs

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of extreme sexist behaviour and men have been fired for saying such things and branded as sex offenders It 1s even now considered sexist for aman to stand up on public transport and to offer hts seat to a woman, or to allow a woman to proceed before him through a doorway (Ironically, men may sometimes be accused of being rude for not dotng these things.)

And, of course, those promoting women’s professional sport are insisting that as much attention be given to female football and cncket teams as to the more traditional maleteams Huge amounts of money are being funnelled into female sport even though the evidence clearly shows that there ts very little spectator mterest in matches played between women's teams or indeed when individual women play sports (women have been playing professional tenmis and goif for decades but the interest in their games has always been minute when compared with the mterest m male versions of those games) The media, as always, has been supine and some newspapers now give more coverage to wamen’s sports than to men's sports with the result that their readers find it mgh on mmpossible to navigate their pages A casual reader will see a headline that screams 'England World Cup Trrimph’ and will find themselves reading about the success of a team of 14-year-old girls playing lacrosse or netball

Once again, there ts a hidden agenda
Promoting and encouraging sexism encourages conflict and confusion - two

essential building blocks regarded as essential for pushing us into the Great Reset And new rules about ‘equality, diversity and inclusion’ have replaced humanity, goodwall and kindness with statutory obligations, statutory whmgeing and statutory recriminations The rules about diversity, inclusion and equality are doing far more harm than good. You can't regulate for kindness

Something called the Independent Commussion for Equity tn Cricket (commussioned by the England and Wales Cricket Board in a mood of self-flagellation) caused a storm (and a good many headhnes) by complaining that racism, sexism, classtsm and elitrsm are widespread in the game of encket.

I've been following cricket all my life I have spent a huge chunk of my life on cricket grounds I've spoken to many cricketers And I've been inside professional dressing rooms as a doctor I've written four books on cricket (including The Village Cricket Tour and Thomas Winsden’s Cricketing Almanack) and I've

written a column and articles for specialist cncket magazines And 1 believe the ICEC report will do far more harm than good

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But | wasn’t m the shghtest surpnsed by its conclusions The death of encket has been on the cards for some time After all, some of those involved with the dangerously fascist Great Reset, the climate change myth and the absurd re-wilding nonsense want to stop all sport because it takes up too much space and mvolves travel

To me the ECB's report stinks of woke gibberish
Equity in ericket, for heaven’s sake That’s areal ESG word
The woman who was chairman of the committee is described has having ex-

perience in ‘governance, inclusion and equity’
What a surprise
A woman described as a semor independent director of the ECB said ‘Promot-

Ing equity, diversity and rnclusion across the game is critical to the success of our game-wide strategy Inspiring Generations and our purpose of connecting com

munities through cricket’
Rishi Sunak, a well-known war criminal, took time off from sending depleted

uranium shells to Ukraine to get in touch with the ECB. He wants cricket to be inclusive and open to everybody [actually rather thought it was Even blind people play cricket

I think they've all missed the point (If ’'m allowed to have a view on this - which I rather fear may not be the case these days)

Cricket isn't a social programme or an experiment in human resources
Cricketisa game Or 1 thought it was
If people want to play they play If they want to watch they watch If people

from some areas of society aren’t interested then that's fine There are plenty of other games they can play Cricket doesn’t exist to change society and lead us mto the Great Reset

The report makes tt look as 1f cricket had huge problems
I don’t believe it does
At least, I don’t think 1t did
I think this report could create some very btg problems and it is my belief it

could do more harm than good
They won't agree with me, of course, but! fear this report will exacerbate sus-

picrons, paranoia, resentment and entitlement and actually create racism
If you look at tenmis, rugby, football, gymnastics, chess, dominoes or syn-

chronised swimming through the same distorting spectacles, you could claim they all have problems There are far more black players in top level professtonal

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football than makes statistical sense How many black tennis players are there in local tennis clubs? How many Mushm women are there involved in synchronised swimming? Enough? Not enough? Too many? Who decides?

The report says that there must be a ‘fundamental overhaul of the women’s pay structure in order to achieve parity with the men’s game’

I’m ternbly sorry, (and this really isn't a sexist comment, it’s a realistic comment) but that 1s like saying that the members of the chorus 1n an opera should be paid the sarne as the lead tenor and soprano

Look at the stands when women are playing There are huge empty spaces
If women are to be paid the same as men then the men will have to take a huge

pay cut There certainly isn’t enough money m the sport to pay men and women the same asthe men currently receive

The report says that Black cricket has not been adequately supported
Black cricket?
I thought teams had black and white players together Gordon Greenidge and

Barry Richards were probably the greatest opening partnership in history One was black and one was white

Are we now gomg to have black teams and white teams?
The report says that ‘cricket needs to have a clear set of values’
No it doesn’t need a set of artificially created values
Cricket needs some laws Which it has And it needs players to play the game

fairly and honourably Which they mostly do That’s where the phrase ‘it’s not encket’ came from

What on earth do they mean anyway?
The 317-page report says that costs are prohibitive
Really?
Have they looked at the costs of getting started 1n motor racing or horse jump-

ing? Or skiamg? Or yachting?
Do they want taxpayers to provide every child with a free bat and ball?
Kids who want to play cricket need an old tennis ball, a piece of wood anda

lamp-post on which to chalk the wickets And someone to play with
And look at this quote from Ben Stokes, the England cricket captain, made

after the absurd and damaging report was made pubhe ‘Il am Ben Stokes, bornin

New Zealand, a state educated pupil who dropped out of school at 16 with one GCSE in PE I needed help with the spelling and grammar in this speech and! am sitting here as the England men's Test captain

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Elitismm?
Where ts the elitism?
The truth about cricket is that most of the people who play it and watch it are

rather decent They don't play or watch to change society They play or watch because it's fun They enjoy it And the last thing most people think about ts skin colour

It isn't the fault of cncket that the money grubbers sold the TV nghts to a satellite TV company - thereby ensuring that kids don't watch tt and aren't interested in playing

Itisn't the fault of ertcket that local authority schools don't play much cricket That's because local councils sold off the playing fields to developers.

There's sexism, racism and old-fashioned snobbery 1m all corners of life
But cricket isn't any worse than anywhere else though | admit there isn't a

Test sertes for transgender cricketers and there obviously should be
This accusatory and adversarial report commissioned by the ECB seems to me

to be full of modern 'Great Reset' language mtersectionalhty and cisgender make an appearance, of course

The report apparently crtictses the fact that some who watch cricket don't like drums being played all day long Well if I watch cricket I rather hke st to be a peaceful activity Is that now a race crime? Drums and impromptu bands and noisy behaviour should be banned May I say that, please?

And the report criticises the huge number of cncket followers who dislike the Hundred — which ts a daft form of biff bat cricket rather too symuilar to French cricket for my tastes I want the Hundred (whichis, [believe, destroying county cricket) ta be forgotten about Am [allowed to say that?

Are we now to be told what sort of cricket we can enjoy?
Oh, and the report talks about Type K' individuals
'Type k' people are, apparently 'white men, educated 1n private schools, who

are straight and cisgender and do not have a disabihty'
I would like to think that this utterly awful report will go straight into the bin

And the ECB which commissioned the report should also go in the bin
But they won't
I fear that 'action' will be taken and the death of cncket will get ever closer

Cricket has been painfully woke for some years now The annual Wisden

seems to have become woke And I think the MCC 1s pretty woke too

And, thanks to this report, I suspect that things are now gomg to get much worse

The overall plan, espoused by the climate change enthusiasts, is to stop all sport - both amateur and professtonal - because it takes up land which they believe should be used for rewilding and because it involves travel

The project known as Environmental, Social and Governance (ESG) 1s a dangerous and enormously damaging form of woke capitalism, which 1s used as a weapon by governments, banks and regulators and even promoted with religtous fervour by brokers, analysts and financial journalists ESG ts, without a doubt, doing far more harm than good and 1s part of the conspirators’ plan to ensure that 'we own nothing’

Larry Fink, the chairman and chief executive of BlackRock (which 1s an investment company) says, rather bizarrely, that ‘access to capital 1s not a nght Ttis a privilege’ and has warned that corporate ‘behaviours are going to have to change, and this is one thing we are asking compamies, you have to force behavtours and at BlackRock we are forcing behaviours’

Fink is not a politraan or an elected official but the company he runs has control of trillions of dollars’ worth of investments His role as a money manager means that he has a fiduciary responsibility to those whose money he looks after

Fink's outrageous arrogance and hubnstic determination to claim power beyond reason has, fortunately, aroused some opposition from those who don't accept that Mr Fink hasthe rightto bully the directors and staff of other compantes or to take dectsions on behalf of shareholders In Florida, US, the Governor, Ron DeSantis, has signed into law a bill which prohibits state officrals in Florida from investing public money to achieve ESG goals

Meanwhile, outside Florida, those who doubt or question ESG are cancelled and likely ta lose their credit rating Corporate doubters will be excluded from bond markets and forced onto the fringe of corporate society The three biggest credit rating agencies have added ESG ratings to their portfolios, and so every company in the world has to obey the demands of the ESG enthusiasts Companies which produce hydrocarbons (such as o1l companies) have great difficulty in borrowmg money and shareholders have lost their rights as company owners

Fink believes that clumate change is real (despite the evidence that it 1s not), that children m kandergarten schools should be taught about sex, including ho mosexuality (despite the opposition of many parents), and that everyone (boy or girl) should be free to use whichever loo they prefer (despite the opposition ofal- most everyone of both sexes)

Fink appears to believe that companies should ignore their shareholders and adopt something called stakeholder capitahsm —something which means giving power to lobby groups and elites and creating a new form of socialism whereby other people's money ts distributed to the poor and used to pursue the pohicies Fink feels are most important. In order to ensure that his policies are followed, Fink pushes through changes in company policy, and by bullying and pushing hard to promote his pet theories, ensures that boards of directors include mem- bers with extremist views (Anyone with investments might like to consider Fink's attitude when deaading whether or not to allow BlackRock to manage their investments)

Fink isn't quite alone in his determination to take over the world, of course Michael Bloomberg, another extremely arrogant fellow, and a man who runs a financial media company which provides news for most of corporate Amer- ica, seems to have simtlar atms, and both men could not unreasonably be de- scribed as berng egotistical, narcissistic and megalomaniacal Two men with but one Napoleon complex Another man with simular enthusiasms, Doctoroff, is Bloomberg's media boss And some, at least, of these views seem to be shared by Hank Paulson, a former boss of Goldman Sachs and Tom Steyer, a hedge fund bilhonaire

Bloomberg ts also much convinced by the fake climate change industry and has provided free prosecutors to sue energy companies if he doesn't hke them

By pushing their propaganda very widely, these people have massive influ- ence on climate scrence researchers and they influence the multi billion dollar a year climate mdustry

Sadly for Fink and Bloomberg, a growing number of experts are prepared to speak out and tell the truth about subjects such as climate change Dodgy science published by climate advocacy groups is certainly not uncommon,' said Roger Pielke, a Professor at Umversity of Colorado And Warren Buffett, the leg endary mnvestor has also expressed scepticism The evidence shows that the: illogical obsession with Net Zero will lead to bilhons of deaths from disease, star vation and other preventable problems

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Starvation 1s hbemg createa quite aeuperately as part or tne pian to reduce the world's population

Encouraged by cultrst-controlled politicians, vast quantities of the world's crops of corn, soy bean and so on, are being used to make biofuels so that motorists can continue to buy cheap petrol for ther motor cars A while ago, a hst of 51 things you and | can do to prevent global warming was published Number 1 on their list was headed 'Turn food into fuel' This, 1t was claimed, would have a'high umpact' on the global warming problem It was suggested that ethanol is the alternative fuel that 'could finally wean the US from its expensive oi] habit and mm turn prevent the muthons of tons of carbon emissions that go with it'

This 1s dangerous nonsense When more land 1s used to grow biofuels, so that 'green' motonsts can dnve around feeling virtuous, there is less land for growing food and an increase in the number of people starving to death

The demand for biofuels has been soaring for years (despite the knowledge that, as a result, people are starving) and the increased use of biofuel 1s a major force behind the rise of food prices If greens keep promoting biofuels then there is going to be a global shortage of food and millions are going to die as a result

There are other problerns with our food supplies, of course
Big American seed companies have been busy patenting the rights to many

individual seeds They have done this so that they can force farmers around the world to buy their products One result has been that small farmers im India are no longer allowed to grow seeds from crops that their famibes have been planting for generations If they do, then lawyers for American multinationals will smother them with writs and injunctions

Asa result, the tncidence of suicide among small farmers in developing countnesis ternfyingly high

Finally, large modern farms are remarkably (and surpnsingiy) mefficient
When the fuel used to build tractors, make fertilisers and pesticides and so on 1s taken into account, it turns out that the energy cost of a kilogram of corn has actually risen tn the last few decades Soil erosion, the loss of poli:mators (such as bees) who have been killed by chemicals, evolving chemical resistance by pests and numerous other environmental problems have also reduced farm crops

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The result of all this 1s that food 1s becoming scarce and prices are nsing
This ts not a cyclical change {with pnces falling or msing due to changes in the weather) Itis a structural change and tt1ts, I fear, permanent

As far as food prices are concerned, the conditions really are optimum for a 'perfect storm' At first glance it appears that things really couldn't get much worse

But, actually, they could.
American genetic engineers have been 'modifying food for years to make it

more profitable No one knows what effect their modifications will have on the safety of food for human consumption No one knows what other horrendous side effects there might be The msks are unbekevably dangerous So, for example, if every farmer in the world grows the same ‘brand’ of potato and that potato 1s hit by a deadly disease then there won't be any potatoes

For those in Europe and America all this ts not yet critical
But for those in many other parts of the world this 1s already an outright

disaster In some countries nearly half of all children are malnourished And things are getting worse and will continue to get worse Rising prices and falling quantities of food available for eating {as opposed to filhng petrol tanks) will result in massive starvation around the world The fake coronavirus hoax, and the consequent economic problems which will devastate economies everywhere, will exacerbate the problem Asa result, the incidence of global starvation is set to rocket

It’s no good saying that the planet isn’t overcrowded (it isn't) or that there 1s plenty of food (there 1s), for the mescapable fact 1s that as a result of policies controlled by internatronal organisations controlled by the United States of America, at least five million tnfants and small children che each year ~ tn a good year That figure ts set to rocket in India, Nigeria and the Congo and elsewhere The number of people in extreme poverty around the world could soon double to over 200 million

Increasing agricultural production enabled the world to grow from 1 7 billion people to nearly 7 billion people in just a century But when the oil runs out, the world will not be able to feed that many people The oil is needed for farming as well as for transport

The racist and elitist policies of the climate change enthusiasts who want us to stop using oil will, if they are successful, be responstble for billions of deaths

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The billzonatres assume that they know best about everythmg (because they are rich) and that the end always justifies the means Their arrogance has also helped them become ever richer In the last two decades billions of dollars have moved from the middle classes to the bilionaire classes Real wages have been falling and the value of savings, investments and pensions has fallen steadily while the billonazres such as Fink and Bloomberg have got ever richer It 1s difficult to avoid the feeling that Fink and Bloomberg have for years now been ona very effective mission to destroy American from within

The unavoidable truth is that everything needs energy and without energy everything stops The climate change believers have pushed energy costs ever higher and if they are able to understand even the simplest scientific evidence, they must know that renewables will never replace carbon based fuels However, it ts largely thanks to the efforts of Fmk, Bloomberg and thei billionaure colleagues that capital spending on fossil fuels has fallen dramatically and fuel production has dropped 30% since 2020

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The wilful destruction of pensions through absurd political shenanigans, the monstrous nonsenses known as diversity and sustainability, the rise in the power of the central banks and the Bank for International Settlements are all closely linked, all carefully designed, and all have exactly the same long-term aim a World Government anda global population of serfs (with the World Gov ernment almost certarn to have its parliament burlding in Israel which may be one of the most unstable and aggressive countmes on earth but which 1s also the physical or spiritual home of many of those leading the demand for a Great Reset and a World Government controlled by and for bankers and billionaires) Incidentally, cvil servants and those with publicly funded pensions might think that their rehrement.is well-funded because they have been promised good pen- sions I'm afraid that they are deluding themselves No pubhcly funded pension is safe

28
The ilhteran, the truth deniers, the conspirators and the collaborators have in-

vented a language of therr own By looking for their favourite words you can eas- iy .dentify the conspiratorial globalists

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And so here are their favourite words If you see more than two of these words Inany document then you know you are dealing with a conspirator You should be aware and wary

Collaboration The conspirators love to pretend that they are part of a big, happy famuly of mndividuals who have seen they are ight In fact, of course, they are collaborators in the way that thugs who set fire to a tramp 1n the street are collaborators

Sustainable This is probably their favourite word They can't usually manage a paragraph without using it atleast once Everything has to be sustainable

Resilient They use this word a good deal when talking about risk manage- ment

Leadership The collaborators hke to think that they all have leadership quali- ties They don't have any leadership qualities, of course, and so they use the word a good deal when describing themselves and thetr colleagues The words 'com- mon purpose' are also popular among those who consider they are following the 'play book' (The tlliterat: are also very keen on 'toolkits' and 'group think' though none of them has the fogpiest what these mean.)

Impact They use this word to show the effect of one of their social engineer- Ing programmes

Demter They use this word to describe anyone who does not share thetr insan- ity Itis used as aterm of abuse If theycall you a denier you should be proud

Inclusive The collaborators love to feel that they are inclusive They are fans of forced homogenisation They believe mn mixed loos and mixed sports teams because these are a true sign of inclusivity They hke to subordinate mdividual rights to the nghts of the community

Equity The conspirators are huge fans of the redistribution of resources - as long as they get more of whatever there is than anyone else It ts through their enthusiasm for ‘equity’ that the collaborators show their allegiance to the com-mumnist cause They also lke to move towards the standardisation of everything

Diversity They love this word even more than they love the concept. Every-thing must be diverse They beheve tn the deliberate and steadfast disruption of what they call ‘organte patterns of association’ If you want to imitate one of the globalists just talk about diversity and sustainability

Transparency The globalists are firm behevers in transparency when it comes to other people They are, for example, enthusiastic supporters of ‘track

and trace’ But they are not as keen about transparency when it comes to them selves and their own dirty deeds

The conspirators and collaborators are also desperately enthusiastic about accountability as far as it relates to other people They always like to create per-manent digital records of everything other people do They msist that everyone (except themselves) should be accountable for their actions They themselves steadfastly refuse to debate the value of what they do

Innovative They love thts word because it makes them seem orginal and creative Sadly, of course, none of them has ever had a single original or creative thought They prefer to follow the playbook devised by Schwab and the other leaders of the Nutter Movement They talk a good deal about the Fourth Indus-tnal Revolution because this makes them sound like mtellectuals. (Naturally, most of them have noidea what it means and didn't even know there were three other industrial revolutions until last week)

There are other words to look out for, of course Words such as 'predictive’ ‘profiling’ and standardisation’ invartably crop up at least once in every docu-ment they produce And remember too, of course, that the ilhterati who beheve mn global warming and the Great Reset regard a document of 500 pages as a short note

29
The battle between individualism (the essence of humanity and freedom) and collectivism is vast and contnumsg The collectivists are enthusiastic promoters

of mass vaccination programmes which are offered not to protect individuals but to protect communities, with no scientific evidence that they do either and much evidence that they do lasting harm We are being moved towards a four day week (at most), job sharing, working from home (guaranteed to reduce pro-

ductivity) and, as jobs become scarce and people decide they don't want them any way, a State paid for, State sponsored, State selected universal basic income Everything that is being done to oppress and suppress us is promoted and protected by, it seerns, all the world's lobbyists, pressure groups and self-appotnted fact checkers

30

The quickest and eastest way to become mch these days is to set up a fact checking company You can easily persuade huge companies to hire you to 'fact

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check' anyone telling the truth | have investigated a number of fact checkers specialising in scientific matters and found that none of them had any relevant qualifications and all of the ones I found merely labelled anything which contradicted the conspirators' official line as 'fake news'

Describing yourself as a 'fact checker' is one of the quickest way toriches these days because there are many large organisations which are ever eager to hire fact checkers and are, seemingly, unconcerned about the qualhfications (or lack of) of the individuals concerned I decided that the word 'deception' is the collective term for fact checkers as in 'a deception of fact checkers'

One of the fact checkers I encountered (by accident rather than design) was someone called Dave who edited a website called Media Bias Fact Check Dave described his site as 'the most comprehensive media bias resource on the internet' He clarmed to have five volunteers to help him and admitted that none of his teatn was a professional journalist Dave said he 'currently works full time in the health care industry' though he didn't say whether he was a bratn surgeon or a hospital car park attendant or a drug company sales representative He described himself as an armchair researcher and boasted that his website had been used as a resource by BBC News, among many other media organisations

I found that like most fact checkers, Dave was quick to describe videos and articles as 'FALSE' (fact checkers always put that word im capital letters, as though it has more gravitas that way) or as containing 'misinformation', even though everything mn a video or article had been thoroughly and professionally researched

When I examined his fact-checking site, Dave appeared to have based his judgement on matenal which appeared on a site called Politifact which itself contains errors They said I had a Facebook video But I have never had a Facebook account They said that m 2019 I authored a book aimed at discrediting trustin vaccmes That's not true either (The only book on vaccines which | have written was published m 2011 andit was aimed at providing readers with facts) They report that there is no clear evidence that the coronavirus vaccines have killed or will kill anyone I don't thinkI'm the only doctor in the world to disagree with that Indeed, how can anyone write that a drug will never kill anyone?

Another fact checker claims they wrote to me c/o the emazl address on my website There ts no email address on my website

Dave didn’t lkke another video of mine called ‘Doctors and Nurses giving the covid 19 vaccine will be tried as war cnmuinals' He iabelled that one FALSE, based on yet another fact checker called Lead Stones

The problem with that judgement is that the exghth word of the title of the video 1s ‘wall’, suggesting that something is going to happen in the future It1s, of course, tmpossible to label such a judgement as false unless you have direct access to the future

31
Progress in terms of people getting richer relies on productivity going up but the opposite has happened in recent years Inflation, soaring taxes, lockdown mentalty, working from home and other factors are pushing people into giving up indespair Milhons now choose to hve on benefits, retire and take their pension early, or choose to be classified as long term sick and give up work for the rest of their lives In the UK there are, as] write in the summer of 2023, four or five mullton people classtfied as long term sick - people who are officially allowed to remain off work for the rest of their lives (Precise figures are always difficult to obtain from governments but when figures are offered they are invariably massively underestimated)

32
By the summer of 2023 there was some belated discussion in the press about whether lockdowns had helped prevent the spread of covid. In fact there is no doubt that the lockdowns made the situation considerably worse and were responsible, as I predicted when they were first rntroduced, for hundreds of thousands of deaths

What is 1gnored, however, ts that the lockdowns were not introduced to stop the spread of covid 19 The lockdowns were introduced as a form of comphance traring Their subsidiary arm was to make people so lonely and despairing that would be ready to grab at any solution And the solution, of course, was the toxic and experimental covid-19 vaccination

33
The innocent and the narve beheve that everythme is happening by accident Farmers around the world seem constantly bewildered and confused by pohctes and decisions which are designed to please the enthusiasts, calling for the

closure of farms 1n order to appease the psychopaths calling for net zero In an artucle in a Bntish magazine {which, like others, seems to have fallen for the Green myths with all the mindless commitment of a teenager 1n love) one leading Green academic recently said 'Farming has no option - 1t will have to be sustainable otherwise it will not be sustained’ and there were doubtless many Green heads nodding though I confess I was merely left puzzied

Confused farmers descnbe new government policies as vindictive, senseless, cruel, destructive, insane, bureaucratic, dangerous and just plain bewildering Farmers are encouraged to follow ‘biodynamic’ farming methods whereby herbal and mineral preparations are used together with an astronomical calendar to guide sowing and harvesting dates (I’m not kidding) Nowhere 1s there more mcomprehensive jargon than there now 1s intruding into the world of farming Many farmers have been pressured into supporting the absurd re-wilding programme which is promoted with such enthusiasm by the climate change believers The conspsrators’ plan ts to reduce the amount of land available for growme food in order to create food shortages, starvation and a consequent, inevitable reduction im the size of the global population The aim is to allow between a third and a half of all land to go wild. Even parks are being allowed to grow wild, and gardeners are encouraged to let their grass grow throughout the summer Re-wilding is leading to grass being left long and uncut on verges, in public places and private gardens

So what's the underlying reason? (They always have a reason) Well, long and uncut grass will dramatically increase the spread of ticks and the incidence of Lyme Disease It will also increase the number of people bitten by adders If you don’t see an adder and you tread on it then it will probably bite you And all that long grass will dramatically tncrease the amount of hay-fever Plus, long, uncut grass on road verges and traffic islands makes road accidents far more likely Re wilding 1s part of the plan to make everyone miserable, ruin everyone's health, make money for the drug companies and killa few people

In order to ensure that neither farmers nor members of the public encroach on land which has been set aside for rewilding (and the first re-wilding programme was introduced by the European Union some years ago in a scheme which was called ‘set aside’) wild animals are bemg released In England, for example, bison, water buffalo, wid boar and beavers have been mtroduced with predictably disastrous results The naive assume that if land 1s left uncared for, fields will become wild flower meadows, full of daisies, tulips, forget-me-nots,

snapdragons, violets and other wonderful dehghts In reality, of course, fields which are abandoned to the re-wilding scheme simply become a chaotic and unpleasant mixture of nettles, brambles, dock and grant hogweed with outbreaks of Japanese knotweed growing rapidly over the years to come

Today, most farmers see their problems occurring as a result of stupidity, ignorance or a failure to understand ther needs But whatis happening to them 1s nothing to do with stupidity, .gnorance or a failure to understand —1t’s all deliberate and quite cold blooded. More and more European countries are now dependent on imports for most of their food and energy supphes

The bottorn line, vital to remember, is that nothing is happening by accident or by comeidence

The same things are happening im all industnes and all professions but because people tend to see only their own small area of activity most don’t realise

that their confusion, their own horror story, 1s part of a wider pattern that affects all industries, most professions and all nations The patient who spends two years on a waiting list for surgery is suffering (and probably unable to work) not by accident but by design The traveller whose journey 1s disrupted by delays and strikes is suffering because of planned delays and well-orgamised strikes The parents whose child is not being properly educated should understand that the educational system tsn't failing by accident but by design We all need to see everything that is happening as a part of a plan, rather than as a senes of isolated incidents My purpose in writing this book is to put everything in context and to enable the reader to see things 1n perspective, and later mm the book I will explain how we got here and whois responsible There is a greater plan, the plan for the Great Reset, and it ts being executed with military precision

34
And then, inevitably, came the designer war, ostensibly between Russia and Ukraime but in reahty between America and its NATO satelhtes and Russia.

It is clear that President Putin didn't want to sell his country to the American juggernaut, driven by the conspirators, and that was enough to mark him as an enemy It also seems clear that NATO and Russia were involved in a battle to decide which of them would control the world government which both of them are expecting NATO and Russia were playing a massive game of Monopoly, with the prize being control of much of the world's resources rather than the rent ona few

wooden houses and the penalty being almost complete annthilation rather than a request to pay £200 to the bank and an instruction not to go past 'GO'

Everything bad that happens has been deliberately organised by American politicians and bankers What we are seeing now is a culmination of a process which started well over 100 years ago and is now rapidly approaching fulfil ment We now live m a world where bankers, who produce nothing, who are of no real value to society and who unquestionably do far more harm than good, control the worlds money

35
Today's problems aren't caused by the fact that 1% of the population controls most of the world's property and wealth but by the fact that the 99% are, through their mortgages and bank loans, in debt to the 1% and many will spend thetr lives working to pay off those mortgages or loans and, at the end of their lives, end up no richer than they were to start with The 1% (or, in fact, considerably less than 1% but J'll stick to calling them the 1% because tt's a simple way to describe them) have taken control of the 99% because, to put it bluntly, they ownthem The 1% has sucked the world dry of money They control everything They control natural resources, they control finance, they controi the politicians, they control the judiciary, they control the police, they control health care and they control the military Globally, they have virtually total control over organisations such as the United Nations (and its subsidianes such as the World Health Organisation), the World Bank and the International Monetary Fund Any dissent that appears at the topis contrived and artifictal. The 1%, the conspirators,

may sometimes appear to be at war with a government or an administrative body or an NGO but they are never at war with anything or anyone because they control everything and everyone The 1% controls the protestors Black Lives Matter, clymate change groups and mobs smashing store windows are all financed by the billionaire financiers

36
Nothing ts at it appears to be and nothing, for sure, is as the media would have us beheve Everything you read, see or hear courtesy of the mainstream media 1s alie For example, the mamstream media around the world insisted that Russia had destroyed its own Nord Stream pipeline even though there was exceilent ev idence that the pipeline had been destroyed by the Americans - whose president

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had, indeed, boasted that the pipeline would be destroyed There was of course no logical reason for the Russians to destroy an enormously expensive pipeline, and if they d wanted to stop the flow of gas to Germany they could have merely turned off the supply When the Kakhovskaya hydroelectric dam was destroyed, the BBC's first reaction was to blame the Russians, even though there was, once

again, no logical reason why the Russians should destroy a dam which was providing water for much of Cnmea and was essential for the functioning and safety of their own nuclear power station Moreover the area beneath the damaged dam was largely occupied by Russians All the evidence showed that it was Ukrarne which benefited from the dam's destruction Even after Russia had accused Ukraine of destroying the dam, the mainstream media continued to blame Russia, with most mainstream outlets refusing even to mention the far more likely possibility

Modern, Western societies were originally designed to stop anyone taking control The legislative branch of government was kept separate from the other branches simply so that all the power would not bein the hands of the few But the 1% has changed ail that Moreover, the 1% has achieved this position srmply by manipulating the money and by using the money to control the pohticians
I wonder how many people know, for example, that after the banking collapse of 2008, which started tn the US and became global, it was American President Obama who decided not to prosecute any of the bankers who had created the crash It was President Obama, a Democrat ostensibly representing the ordinary men and women of America, who defended the bankers, who insisted that the millions of people who lost their homes should not be bailed out and who arranged for bankers such as Goldman Sachs and J P Morgan to be batled out with billions of dollars of taxpayers' money Furthermore, it was Prestdent Obama who allowed the bankers to use the bail-outs to give themselves huge bonuses And yet the mass of people still revere Obama, the great betrayer, and regard him asa hero (The banks were presumably grateful and it 1s, of course, merely a coincidence that former President Obama became strangely wealthy after his term as President came to anend)

37
Democracy (once described as the tyranny of the majority and abhorred by

Socrates, Plato and Anstotle) has, hke much else, been weapomsed and a new breed of woke tndividuals (who believe they are exhibiting compassion which,

in truth, they neither feel nor understand) show a sense of reverence for the spiritual trammungs of the State that marks them out as being indistrnguishable from the brain-washed followers of Mao Tse Tung. They are just as blind to truth, decency and respect as the commutted followers of any dictator in any totalitar-1an regime must be

All these things, and many more, were and are connected by a long-running conspiracy of bankers, polrtiicians and assorted billionaires, a long running, deep seated conspiracy which this book exposes and defines in great depth and detaal

Today, there ts an understandable inclination to regard the fake coronavirus pandemic that was used to bring in lockdowns, social distancing, mask wearing and pseudo-vaccines, as the start of the troubles which are destroying our world and taking away all vestiges of our freedom and humanity

But all that has been nothing more than an exercise m compliance traimmg designed to ternfy, to subdue and to force billions to forget everything they know, to ignore all truths, however blatant, to set aside all natural suspicions, and to becorne obedient serfs What has been happening 1n the last three years (the fake plague, the nonsense of net zero and all the accompanying restrictions, the beginning of World War III) is merely the culmination of something that started many decades ago

Everything ts hotting up because the conspirators, the very few men and women who are behind everything that is happening, can smell the fear and taste the blood, they know that the mass of people are broken and can easily be controlled They know too that this 1s their moment, 1f they pause or hes1-tate then they are lost and it will be decades, at least, before they have another chance

When we are afraid we do not think properly and when the fear becomes chronic our ability to think clearly is suspended more or less permanently We have been manipulated and groomed for decades, trained to be fearful The threat of the nuclear bomb, a range of threatened infectious diseases (starting with the wildly exaggerated threat of AIDS), constant wars around the globe, the madness of the wildly exaggerated threats that the world will end in five years, ten years, fifteen years or whatever because of the non-existent threat of non-existent clyumate change, endless over-promoted distractions, accusations of racism, sexism and so on — all these have created fear, depression and increas-tng despair Just as Carl Jung had predicted, the State has taken the place of God

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The conspirators know that people m fear need and demand someone to take

controL Adults become like children, requiring authority and tolerating surveullance that would otherwise be regarded as intrusive People become ready to sneak and snitch on their fellows The most absurd instructions are followed without question And so, because of the threat of an rmapinatively marketed flu, the elderly were locked in care homes for years, and relatives were only allowed to see them through glass Vaccination programmes were promoted with bizarre incentives (in America it was possible to win $5 mullion if you agreed to be vaccinated, and free beer and free doughnuts were given to those who had been jabbed) Celebrities offered abuse to those who questioned the need for the vaccrnation programme The Queen of England and the rest of her famuy exhorted everyone to be jabbed The Archbishop of Canterbury promised that those who were jabbed would be loved by Jesus (and, presumably, those who didn t get vaceinated wouldn't be loved) The BBC told the public that the covid-19 vaccine was safe and effective - though the medical evidence at the time showed clearly that the vaccine was neither of these things and the assurances were offered without any scientific background

The truth ts that the vaccine damages 1mmune systems, making those who have had it more hkely to catch (and die from) other infections And will the covid-19 jab affect the fertility of those who had it? It seems very likely Cancer tates are rising rapidly among those who agreed to be vaccinated It was clear in the autumn of 2020 that the covid 19 jab would be neither safe nor effective, and today there 1s now no doubt the covid jabis a killer, fake vaceme - useless but far more dangerous than depleted uranium shells or cluster bombs Like bombs, rockets and bullets, its only concervable purpose ts ta kill people

The evidence showing that the over-promoted, over-sold covid-19 jab ts the most dangerous pharmaceutical product ever used is denied only by fools or shills for the conspirators and the drug industry | have repeatedly warned that the covid jab can and does cause or exacerbate a huge range of serious health problems - including heart disease, clotting problerns and cancer And as 1 warmed in 2020, the 1mmune system problems caused by the 'vaccine' are deadly

The evidence suggesting that the covid vaccine ts toxic 1s overwhelming and should be banned ts constantly growig Any other product known to cause such severe problems would have been taken off the market a long hme ago

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A review of 325 autopsies on pattents who died after covid vaccination showed that 74% of the deaths were caused by the covid vaccine

The nine eminent authors of the paper found that the organ systems most likely to be involved in covid jab deaths were cardiovascular system, haematological systern and respiratory systemrm The mean time between vaccination to death was 14 3 days A total of 240 deaths out of the 325 deaths were independently adjudicated as directly due to or significantly contributed to by covid-19 vaccinations

The nine authors concluded 'The consistency seen among cases in this

review with known covid-19 vacetne adverse effects, their mechanisms and related excess deaths, coupled with autopsy confirmation and physician-led death adjudication, suggests there 1s a high hkehhood of a causal bnk between covid 19 vaccines and death m most cases Further urgent mvestigation is required for the purpose of clarifying our findings

Then there was the paper which appeared tn the British Journal of General Practice recently which showed that 'enlargement of axillary, supraclavicular or cervical lymph nodes following vaccination with covid 19 mRNA vaccines 1s more frequent than inittally reported, with a rate reaching up to 16% following the second dose of the Moderna mRNA vaccine' The paper also reported that a few cases of lymphoma were reported in the literature

The authors warned that doctors in charge of patients with post-vaccination lymphadenopathy should be reminded to consider the possibility of an underlying or comadental makgnant disorder The truth, of course, 1s that there aren't enough doctors around to check fully 16% of all the patients wha have a second dose of that vaccine

The covid jab is causing one problem after another And the problems are ignored or suppressed by the medical estabhkshment

In July 2023, 1 showed that the covid-19 jab was responsible for a surge in type 1 diabetes among children and teenagers

A survey of 38,000 young people (reported im the Journal of the American Medtcal Assocratron) showed that the nse is substantial

I warned that this would happen back in 2020 I warned that the covid-19 jab would push up blood sugar levels

The epidemic of type 1 diabetes ts caused by the covid-19 vaccime And the drug companies will now get ever richer selling treatments for diseases the drug compantes caused

Tea 3 riers bebe nt seek 46%:

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Everywhere you look there 1s evidence proving that the covid jab was a koller In less than two and a half years nearly 2,000 healthy athletes have had heart attacks or sudden serious health problerns - with over 1,300 of them dying

And yet, in the summer of 2023, the medical establishment, bought with drug company money, was still refusing even to conternplate the idea that the deaths may be caused by their beloved vaccine They didn't dare admit thatthe medical profession was responsible for thousands of unnecessary deaths because they were terrified of the inevitable lawsuits not to mention the professional embarrassment

It was clear that doctors who gave the covid jab without properly assessing the dangers were going to be on the wrong end of the world's most expensive

class action lawsuit

But the vaccines have not been withdrawn No one in the drug companies or the medical establishment tssued grovelling apologies

Instead, as had happened for over three years, the doctors who were exposing the dangers of the covid-19 jab were being harassed, banned and censored.

Any doctor who was shill g»ving the covid-jab had shown themselves to be a dangerous fool who should be struck off the medical register for life and arrested immediately for attempted murder

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It ts, of course, possrble to trace the plan to control the world back hundreds of years

In The Repubitc, Plato recommended creating asuper-state headed by philoso pher-kings Charlemagne wanted the world, and not just Europe, and who knows where Napoleon's ambitions would have ended Thomas More wanted Utopia and Alfred Lord Tennyson wanted much the same H G Wells took tame off from wmnting excellent novels to toy with the idea of a global super-state

Those planning the conspiracy have always had a long-term pian but they also Knew that they would, in their lifetimes, benefit enormously from their conspiracy

The conspirators may think of legacies and dynasties but although they like nothing move than to be described as philanthropists, they are not individuals who think much of the concept known as altruusm The conspirators are men and women who beheve very firmly that charity begins at home The conspira tors do not do things just because they are the 'right things' to do If they make

a donation to a college or a hospital or a foundation of some kind they msist that the reciprents put their name on a building, a scholarship or some other memiortal If they have a foundation then they will find a way to benefit from the foundation's tax-free status These are people who, by and large, know that they cannot be rmmortahsed in statue form, because everyone who saw the statue

would say 'Who the devil was he', and so they force themselves onto the future ina more modern, practical way

39

All the events I have deseribed so far are linked in which can best, and most appropniately, be described as global terrorism on a scale never previously seen — let alone rmagined

Now it's tme for some explanations and some revelations

It's time to go back over twocenturies to the end of the 1 8th century when the

House of Rothschild was operating in Europe and when they created the basis of thetr wealth by financing wars

The Rothschilds didn't finance one side in a war They didn't give financial help to governments, kings or leaders of whom they approved, they financed both sides In wars they financed all the armmes tnvolved and made profits from everyone During the 19th century, wars led (as wars always do) to arebalanemng of power And at the heart of the power sharing sat the Rothschilds

The founder of the dynasty, Meyer Amschel Rothschid, who operated out of Frankfurt mn Germany, was a crafty and rather greedy man who had five sons, four of whom he sent to various parts of Europe to orgamse financing in England, France, Austria and Italy The fifth son stayed in Germany

It has been satd that the Rothschilds weren't merely profiteering but were behind all the wars in Europe in that time Millions of people dred so that the Rothschilds could become rich. And with their wealth came power

How did thts bunch of crooks make ther money?
Simple
Wars cost money, lots of money, and the Rothschilds were always there with

bags of gold to pay for soldiers and guns and ammunition Whenever there was a battle there was always one certain winner the Rothschilds They lied, and deceived and tricked ther way to becoming international bankers And, of course, to becoming incredibly wealthy They got nch by lending money to all the politicians and all the kings and charging them huge amounts of interest

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In the American Civil War, the Rothschilds helped finance both sides I wonder how many Amencan children hear about that in ther history lessons

Wars cost huge amounts of money and in the end, of course, it is a country's taxpayers who have to find the cash Financiers like lending money to governments because they know that they can charge a high rate of interest, they know that they will almost certainly get ther money back and they know that ifa gov ernment owes them money they will probably be able to do advantageous deals giving them monopolies, and the freedom to exploit natural resources such as areas containing orl or metals

This way of working was gradually copied by other bankers, and by the 21st century it was become clear to anyone who looked that when US troops stayed In a country after an invasion, they weren't there to help but to steal natural resources (Examples included Iraq, Libya and Syna) The American style was to create a war between two sides, send in troops to help whichever side they thought most sympathetic to the American cause (or whichever side had the best natural resources or wealth) and then steal whatever natural resources (oul,

gold, other mimerals, antiquihes or money) which the country had
Today, no one likes to say much about the Rothschilds for one simple reason

they were Jewish And organisations such as the Anti-Defamation League have always regarded any attack on Jewish bankers as berng anti-Semitic Acadernics, authors and journalists are always careful about mentioning the role Jewish bankers have played in the development of what 1s without doubt a global conspiracy because of the danger of being classified, and attacked, as anti-Semitic This ts, of course, absolute nonsense Drawing attention to the actions of the Rothschilds and other Jewtsh bankers has nothing whatsoever to do with the Jewish people as a whole But for the consptrators tt 1s convenient, quick and effective to use the anti-Semitic insult as a defence weapon to silence historians and honest commentators

In fact, Jews should be as angry as anyone about the actions of the Jewish bankers In World War IT for example, the Warburgs, a Jewish banking family, helped to finance Adolf Hitler and the National Socialist Party If you want to know more about the role of the Warburgs take a look at Zina Cohen's The Shocking History of the EU

Newly minted mternatronal bankers {such as the Rothschilds) didn't just make vast amounts of money out of wars and governments, they also acquired extraordinary amounts of power So, forexample, governments gave the bankers

the night to form central banks The Bank of France, the Bank of Germany, the Bank of England and, 1n America, the Federal Reserve were set up not by governments but by bankers with their own interests at heart

The story of how the Federal Reserve was created is extraordinary A bunch of leading American bankers took 4 trip to Jekyll Island in Georgia and created America's central bank in secret The story of this chicanery 1s told in G Edward Griffin's 600-page book The Creature from fekyll Island A Second Look at the Fed eral Reserve The bankers were aided in obtaining control of America's money by a man called Colonel Edward Mandel House who was English and no more a colonel than Colonel Tom Parker, Elvis Presley's manager Colonel House was a behind-the-scenes fixer who wrote about establishing 'socialism as dreamed by Karl Marx' in America and who wanted a central bank which could provide flexable, inflatable paper currency and a graduated income tax House was said by some to be more powerful than President Woodrow Wilson and this does not seem at all far-fetched With House running the economy, America's national debt expanded by 300 per cent

In an attempt to disguise their perfidy some of the bankers behind the plan for the Federal Reserve pretended to oppose it New laws were passed which appeared to control the bankers but which actually gave them more money and more power

A similar system has been operated by the European Union for decades The eurocrats who create the EU's laws appear to be defending ordinary people by devising yet more laws and regulations to control banks and busmmesses In reality, the laws and regulations are introduced at the behest of lobbyists working on behalf of big banks and big internatronal companies and they are part of the plan

to create a global financial system, a global currency and a global government The powerful men and women who pay the lobbyists (not all of them bankers or financiers) know that the rules and regulations will make 1t impossible for new companies (and banks) to get started in business Large companies, on the other hand, will ensure that the EU creates laws which don't actually affect their earnings And, of course, they will hire huge departments full of specialists who can use the new legislation to their advantage All this is aided by the fact that there is an easy movement of staff between the EU and the large compamies the EU ts supposed to regulate There has never been as corrupt an organisation as the European Union Back in 1995, Bran Freemantle wrote an astonishing and revealing book calied The Octopus about corruption in Europe My own more re-

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cent book OFPIS contaims revelations which | still find astonishing It 1s not surprising that the media and the British crvil servants are strong supporters of the EU since they are all strong advocates of a world government and all that goes with it

The real soctahsts, and the real communists, who welcomed the way the

bankers appeared to be working (and the central banks they created) had no idea that they were beng manipulated and controlled by very nch, very crafty, men whose plan, even then, was a world government which they would control

And those who were surprised that rich bankers should support the idea of a progressive income tax did not realise that the bankers (and their rich friends) would not be paying the tax for they would use foundations, trusts and offshore tax shelters to protect then wealth And so individual bankers actually owned ther countnes' central banks and had the power to create money and control those countries and their populations [t was Lenin who said that establishing a central bank was 90% of turning a country into a communist country and, indeed, having a central bank 1s one of the ten requirements hsted in The Commumnist Mamfesto It isn't surprising that Thomas Jefferson wrote that 'banking establishments are more dangerous than standing armies'

Even after the Bank of England and the Bank of France were theoretically brought under political control (and 'socialised') the bankers who had originally been the owners retained power over them Montagu Norman, the longest serving Governor of the Bank of England (he held the post from 1920 to 1944) was described by the Wall Street Journal as 'the currency dictator of Europe' Norman, wha was by any standards a 'bad' man, boasted 'I hold the hegemony of the world In 1942, Norman was quoted as saying that 'the hegemony of world finance should reign supreme over everyone, everywhere, as one whole supernational control mechanism'

Today, the central banks have enormous power In the US, the Federal Reserve controls interest rates and the money supply and can, therefore, decide whether there is going to be a recesston or a boom It ts the Federal Reserve that decides what happens to share prices and it ts the Federal Reserve which decides whether Americans have to deal with inflation or deflation The plan behind the

formation of the Federal Reserve was always a sumple one to enable billionaires to pretend to mtroduce a socialist state, a workers' democracy, so that they could control the country and become dictators

The bankers had also realised that if they created artificial panics they would have even more power and make even more money By scaring ordimary investors {and pushing thern into selling their shares, for example) they could make enormous profits And bankers have manipulated and controlled entire countrtes since the early years of the 20th century It was] P Morgan, the epony mous founder of one of the world's most powerful banks, who created panic mn order to ensure that the Federal Reserve was created It was Morgan who pushed the US into the Great War in order to protect loans he had made to the British Government Woodrow Wilson had been re-elected as President after promising to keep America out of what was seen as an exclusively European war But while Wilson was busy promising that America would not get mvolved m the war between England and Germany, Colonel House was forging an agreement with England to do just the opposite The men who had been at the Jekyll Island meet ing, and who had created the Federal Reserve, were keen to become tnvolved because many of them had lent money to England and were keen to ensure that their money was not lost. And, of course, there was plenty of opportunity for businessmen to make money out of the war Bernard Baruch alone fixed up government contracts worth tens of bilhons of dollars The mamstream media was told to switch from opposing entry into the war to saying that it was essential for Amertca to become mnvolved Authors Gary AHen and Larry Abraham reported that one British MP, Arthur Ponsonby, wrote that 'there must have been more deliberate lyingin the world from 1914 to 1918 than in any other period in the world's history'

Tragically, it now seems clear that the decision to push Amenica into the war did far more harm than good and it was certainly the beginning of America's long period of being :nvolved in wars between other countries (America has been at war with someone, somewhere pretty much since 1914 The bankers,

the financiers and the arms manufacturers need constant war)
Bankers and arms dealers made fortunes However, Winston Churchill noted

that everyone, everywhere would have been better off if the Americans had stayed out of the war He argued that peace would have been made with Germany, that there would have been no collapse in Russia leading te communism and no collapse in Italy leading to the rise of Mussolini andfascism Most rmportantly, perhaps, the Nazis would have never been able to take power in Germany if the Americans had stayed at home and a settlement had been agreed between England and Germany The negotiators at Versailles, who allegedly sorted out

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the peace settlement after WWI knew damned well that 1t was going to make

things worse rather than better And remember what happened to the Middle East and the attempt by T E Lawrence {Lawrence of Arabia) to provide the Arabs with a fair solution

Lord Curzon remarked that the Versailles treaty was 'not a peace treaty' He described it as ‘sumply a break in hostilities’ and he was, of course, absolutely correct in his assessment

Not long after the end of the Great War (‘the war to end all wars’ and not, then, of course, given a number) the American bankers were lending money to a German politician called Adolf Hitler And during the Second World War, American companies were providing the Nazis with essential supplies Moreover, even before the end of World War II, the msiders were carving up Europe and planning more wars

(Inetdentally, many Americans, particularly those wha lost loved ones 1n the Vietnam War, might be surprised to learn that the Viet Cong and the North Vietnamese received 85% of their arms from Russia and Soviet Bloc countries and that those suppliers were helped by Amerncan bankers and mdustnalsts Once again the conspirators in America were financing and equipping both sides of a war and providing the enemy with the bullets which were killing American soldiers The rules said that American companies couldn't sell ‘strategic’ weapons {such as guns) to the enemy, but they could sell the tools to make the guns The Vietnam War was fought without there having been a forma! declaration of war and so the financiers could not be arrested for treason.)

The end of the Great War provided the bankers, the fixers such as Colonet House and the other insiders with a real chance to set up a world government And so the League of Nations was created The problem was that everyone 1nvolved in the negotiations knew that everyone else present was cheating and lying and no one trusted anyone The Americans huffed and puffed and walked out and the proposed World Government fell apart

Not everyone mn America had given up, however
The ubtquitous Colonel House met with members of The Round Table and the

Royal Institute of International Affairs and the Council of Foreign Affairs Their plan was to try to work out a way to persuade the voters of Europe and America that they needed a world government to guarantee peace

Meanwhile, after J.P Morgan's death it was his bank which helped to finance the Revolution tn Russia

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More importantly, America and the West had manufactured an ‘enemy’, and governments had an excuse to spend billions on manufacturing arms to defend themselves

It was all horribly easy to organise
Between 1923 and 1929, the Federal Reserve increased the supply of dollars

by nearly two thirds At the same time the mainstream media promoted shares with tremendous enthusiasm and, as a result, the stock market soared A major stock market crash was planned in 1927 and the Federal Reserve Board worked with the heads of central banks tn Europe to make sure that everything went according to their plan What happened next 1s no secret Thousands of investors were ruined m the crash of 1929 The bankers got richer Many of them had sold ‘short’ and made fortunes out of the crash they’d helped create

And the same scenario ts repeated at irregular intervals
The bankers start a scare
The frightened investors sell their shares cheaply
The bankers buy the cheap shares and make a fortune They are never ptun-

ished mn any way for their dishonesty and greed (For example, rf you want a quick guide to the crash of 2008, I recommend the film The Big Short)

Alternatively, by starting a rumour that a specific company was in financial trouble, the bankers could start a panic, buy the shares sold by panicking investors and then make a fortune The bankers did that often too Except for artusts of one sort or another, very few people ever get extremely rich honestly Behind every great fortune there 1s a history of theft, deceit and chicanery
The insiders who run countnes and start wars manage the markets, establish monopolies, control natural resources (such as oi] and essential minerals), fix prices, control the labour market and buy and sell politicians

And, of course, anyone exposing the truth will be dismissed as paranoid, con

demned as a conspiracy theorist and labelled discredited
This has been going on for well over a century And it1s stll happening today

Financial markets are regularly manipulated Central banks (which often appear to be run by incompetent people) force debts higher, play with interest rates in a way that destroys economies and push up inflation when it suits them and the big banks (When interest rates rose rapidly in the UK 1n 2023 and people with borrowings were paying 7% or more, savers were stil receiving less than 1% ininterest It was clear ts was profiteering, shylocking, and that the pian to impoverish everyone was being followed precisely) Recessions and depressions

appear periodically as and when required The bankers, and the central bankers, know that only precious metals such as gold and silver hold ther value

4s Lord Curzon and Winston Churchill had both foreseen, the Great War was not the end of European hostilities In 1939, the Second World War began Hitler was helped by the Round Table Group since 1t was generally felt among the insid ers that a Second World War would make it easier to start a world government with the bankers and other insiders running things, and the people of the world being turned into drones (For more about the financing of the Second World War I suggest that you read Zina Cohen's book The Shocking History of the EU)

As soon as the Second World War started (and years before America became myolved) the insiders inthe US set up a Committee on Post-War problems And it was this group of American crooks (aka Wall Street movers and shakers) who set up the United Nations with the plan that this would, at iast, lead to the development of their beloved world government The people involved in the formation of the United Nations included Nelson Rockefeller and aman called John] McCloy Nelson Rockefeller is well known but McCloy not so widely known

McCloy, a former president of the World Bank, had been a partner 1n a law firm which represented the American portion of German company IG Farben and subsequently acquired a reputation for having sympathy for the Nazis For example, early in the Second World War, McCloy used his influence to block attempts by Jewish organisations to persuade the US Air Force ta bomb Auschwitz because he knew how cmuctal the concentration camp was to German Industry It was known that 1t would have been easy for bombers to destroy the gas cham bers and key railway junctions but McCloy (who was, at the time, the Assistant Secretary of War) claimed that bombing Auschwitz might annoy the Germans and provoke them into vindictive actions Some found it difficult to understand precisely what ‘vindictive actions’ he hadin mind And it was McCloy’s actions after the end of the War which helped create the European Union

After the end of World War II, McCloy became US High Commissioner for West Germany In addition to releasing many industriahsts who had been sentenced to prison, he also arranged for Nazi camp doctors and SS officers to be released or to have their sentences substantially reduced

As soon as McCloy had arranged for their release, the executives from IG Farben quickly re-jomed German companies, with, for example, Schmutz joining the board of Deutsche Bank McCloy was never subjected to serious cnticism for any of his actions because he was obeying American instructions Although

President Eisenhower had wanted to nd Germany of the influence of the Nazis, there were other powerful Americans who felt differently AHen Dulles, John Foster Dulles and General Patton all wanted the Germans to control Europe as a bulwark against the Soviet Union.

After the War, McCloy served as chairman of the Chase Manhattan Bank and the Ford Foundation (Thomas McKittrick also became a director of Chase Man hattan, a bank which had had strong inks with the Nazts dunng the War } McCloy also became chairman of the Council on Foreign Relations and an adviser to five American Presidents In 1963, McCloy, the man whe had worked with the manufacturer of the gas which had been used to murder millions of Jews and who had ordered the early release of some of Germany’s worst war criminals, was presented with the Presidential Medal of Freedom by President Lyndon B Johnson

It was entirely thanks to the efforts of people such as McCloy and McKittrick that Schmutz, Krupp and other war criminals (who were as responsible as Hitler, Himmler et al for the horrors of the Second Worid War, and the efficient brutal-

ity of the Naz: war machine) received no punishment at ali or the sort of pun ishment usually regarded as suntable for small tme motoring offenders It was released war criminals who helped found the European Union

Being much richer than Rudolf Hess, and having more powerful friends, Krupp, who had been sentenced to 12 years imprisonment at Nuremberg, was released by the Amenmcan McCloy after just three years in prison It 1s worth recording that Krupp's imprisonment does not sound much hke punishment A room in the prison was set aside so that the Knupp directors could discuss corporate business, and Krupp was supplied with the best food and wines available He apparently took delight n insulting the people who had been responsible for his incarceration Incredibly, McCloy even arranged for Krupp to be pardoned and his record as a war criminal expunged after his release

Krupp's industrial emprre had controlled slave labourers im 57 concentration camps and Krupp, who was also Hitler's Minster of Armament and War Production, was close to the German high command He was responsible for transferring factories from occupied territories to the German Reich He was one of the most evil members of the Nazi regime and was awarded medals by Hitler for keeping up production of arms through the use of slave labour

McCloy later explained his pardon for Krupp by claaming that the German was a‘playboy who had not had much responsibility In fact, Krupp had been very

much a hands-on operator, and runnmg the compames had been entirely his responsibility Astonishingly, McCloy even ordered that all of Krupp's property, which had been confiscated after the War, be restored to him so that he suffered not at all After his release and pardon, Krupp, one of the richest and worst German war criminals, quickly became a seerningly 'respectable’ German citizen accepted by German society and playing an important part mn the ennching of Germany and the development of the European Union

It was McCloy who helped the Nazis set up the European Union after the end of World War II

And, of course, he was one of the Americans who helped to found the United Nations

The Communist Party instructed its members that ‘Great popular support and enthusiasm for the Umited Nations’ policies should be built up, well or ganised and fully articulate But it is also necessary to do more than that, The opposition must be rendered so impotent that it will be unable to gather any significant support in the Senate against the United Nations Charter and the treaties which will follow'

And so the Communist Party supported, endorsed and promoted an organisation (the United Nations) which had been set up by a bunch of American bankers

Naturally, the mainstream media managed to convince people that the new organisation was set up to promote world peace and most of those now promot mg its activities, and parroting the official line, do so without knowimg precisely what hes behind the propaganda Since tts formation, the goal of the United Nations has been to abolish all individual countries And American Presidents have remained loyal to that goal In 1992, President George Bush said ‘It 1s the sacred principles enshnned m the United Nations Charter to which the American people will henceforth pledge their allegiance ' Not, you will note, the American

flag

So, now we know where the United Nations came from

And, more mmportantly, we know that the United Nations was set up by

American bankers and the Commumst Party and its aim isto set up a world government This helps to explain the behaviour of the UN mm recent years All those individuals who thought that the UN was merely a kindly organisation set up to promote the sort of gentle world peace loved so much by Miss World contestants can think again

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Oh, and it 1s, of course, mmportant to remember that the World Heaith Organisation, the promoter of face masks and pseudo vaccines which are dangerous and don’t work, 1s a subsidiary of the Umted Nations

And now, to find out in more detail how we ended up in a nightmare world, read Part Three and I will explain exactly what has happened and why and who 1s responsible

But, before we get there, I have included a short interlude of Hhumination

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Interlude

T have collected the quotations which fallow during the last few years At first, I intended to sprinkle them throughout the text And then I thought I'd just leave them out But eventually, 1 decided to include them in a special section as a prelude to the next part of the book

‘The first thing that we ask of a writer 1s that he shan’t tell lies, that he shall say what he really thinks, what he really feels’ ~ George Orwell

'When you know the enemy’s plans, 1t will be easy to gam victory by means ofan appropniate response ’— Mryamoto Musashi

All warfareis based on deception To subdue the enemy without fighting 1s the acme of skill’ ~ Sun Tzu

Power isnotameans,itisanend The object of persecution 1s persecution The object of power is power '— George Orwell

‘The United Nations represents a potential threat of very great magnitude’ - Charles Lichtenstein (former US Ambassador to the United Nations)

‘The evidence is compelling that reconsideration of the world monetary system is overdue Therefore, national economies need monetary coordination mech anisms and that is why an integrated world economy needs a common mone- tary standard, whichis the best neutral inflationary coordinating device But,no national currency will do ~ only a world currency will work’ - President Ronald Reagan, 1983

‘Paper 1s likely to be abused, has been, 1s, and forever will be abused, in every country in which itis permitted - Thomas Jefferson, on fiat currencies

‘James Madison said ‘It 1s a universal truth that the loss of liberty at home 1s to be charged to the provisions against danger, real or pretended, fromabroad Fear of foreign peruis, Madison realised, can easily persuade a freedom-loving people to voluntanly part with liberties they would otherwise consider indispensable’ -Wilham] Watkins Jr

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‘Sometimes | wonder if the world 1s nin by smart people who are putting us on, or by rmbeciles who really mean it ’- Mark Twain

The first panacea for a mismanaged nation 1s inflation of the currency, the sec- ondis war Both bring atemporary prospenty, both bring a permanent ruin But both are the refuge of pohtical and economic opportumists '- Ernest Hemingway

‘Of course we can split genes The question ts can we not split genes '—Jean Paul Sartre

‘Give me four years to teach the children and the seed I have shown wiil never be uprooted ’-Vi Lenin

‘My Government 1s the world's leading purveyor of violence’ — Martin Luther King

(Politics) is all about sincenty If you can fake that, you've got it made’ - George Burns

‘News 1s what somebody somewhere wants to suppress, all the rest 1s advertis-

ing '— Lord Northelffe

'There 1s nosuch thing as society Thereis only the market.' - Margaret Thatcher

'Perceptions become reality' — Henry Kissinger (after Niccolo Machiavelli)

'When you have elminated the improbable, whatever remains, however um probable must be the truth ' - Sheriock Holmes via Arthur Conan Doyle

'Naturally, the common people don't want war, neither in Russia, nor in England, nor for that matter in Germany That1is understood But, after all, it 1s the leaders of the country who determine the pohcy and it 1s always a srmple matter to drag the people along, whether 1t 1s a democracy or a fascist dictatorship, or a parhament, or acommunist dictatorship Voice or no voice the people can always be brought tothe bidding of the leaders Thatis easy All you have to do is tell them they are being attacked and denounce the peacemakers for lack of patriotism and exposing the country to danger, 1t works the same mm any coun try' — Hermann Goerring

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'It was on the advice of Governor Rockefeller, who descnbed Mr Kissinger as 'the smartest guy available', that Mr Nixon chose him for his top advisor on foreign pohcy' - US News and World Report, 1971

'The history of the twentieth century can best be understood by coming to the reahsation that for the first me 1n the course of human events, the whole world has come under a single idea This dea, which goes by many names and under many guises, always ends up tn some form of collectivism, which crashes the lives and aspirations of individuals in its utopian quest for heaven on earth' - Donald McAlvany

'To parody the words of Winston Churchill, never have so many been manipulated so much by so few'— Aldous Huxley

'It 1s forbidden to kill, therefore all murderers are punished unless they kill in large numbers and to the sound of trumpets' - Voltaire

'Those who would give up essential hberty, to purchase a hittle temporary safety, deserve neither liberty nor safety' — Benjamin Franklin

'The people never give up their liberties but under some delusion' - Edmund Burke

If you do not fight for nght when you can easily win without bloodshed, 1f you will not fight when your victory will be sure and not too costly, you may come to the moment when you will have to fight with all the odds agaist you and only a precarious chance of survival There may be even a worse fight You may haveto fight when there 1s no hope of victory because itis better to perish than live as slaves' ~ Winston Churchill

‘With stupidity the Gods themselves struggle m vain '— Friedrich Schiller

‘The atmosphere of hatred in which controversy is conducted blinds people To admit that an opponent might be both honest and intelligent is felt to be intolerable‘ - George Orwell

'The world 1s governed by very different personages from what 1s rmagined by those who are not behind the scenes ’- Benyamun Disraeli

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‘Man’s dearest possession 1s hfe It1s given to him but once, and he must live it so as to feel no torturing regrets for wasted years, never know the burning shame of a mean and petty past, so live that, dying, he might say all my life, all my strength were given to the finest cause in all the world ~ the fight for the Liberation of Mankind’ - Nicolai Ostrovsky

‘Doctor, there is no place for an ll old woman or anill old man anywhere 1n this world —1f they lack money’— Andrew MacAlian

‘Truth lives on in the midst of deception’ - Friedrich Schiller

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Part Three: How things got the way they are

Introduction

In the introduction to his brilliantly researched book The Greenmg The Environmentalists’ Drive for Global Power, Larry Abraham {who wrote the book with Frankhn Sanders) explained that he had for 30 years observed and chromcled numerous onslaughts which were designed to reduce the sovereignty of the individual and transfer more power to our governments And he warned (and his book was published in 1993 so the warnings were made three decades ago) that the greatest surrender of I:berty in all human history was underway and that power was being transferred to a small group of people - the Establishment

Abraham pointed out that every one of the projects designed to take away our rights and give them to our governments was promoted as ‘necessary or ‘vital’ and that some were touted as ‘life-saving’

He explained that a well orgamsed minority somehow managed to create 'the appearance of popular support' for projects designed to ‘preserve the environ ment’ or ‘stop pollution’, and that the people behind these programmes were members of a small group

He quotes Arthur Selwyn Miller, a former Professor of Law at George Washington University who wrote 'Those who formally rule take their signals and

commands not from the electorate as a body, but from a second group of men (plus a few women) This group wuil be called the Establishment It exists even though that existence ts stoutly demed., It is one of the secrets of the American social order' And he added 'A second secret ts the fact that the existence of the Establishment ~ the ruling class ~ 1s not supposed to be discussed' I would add that most of the people involved in promoting the myth of chmate change are probably intellectually undersized and possibly climcally insane

Even thirty years ago the climate change campaigners were 'steamrolling alt opposition, silencing critics by a feigned moral and tntellectual superiority, and, in the process, transferring global wealth and power on an unprecedented scale'

Well-intentioned but misguided people, manipulated and tricked into believing carefully constructed hes, now protest about the environment, and instead of marching for peace (as happened 1n the 1960s) they are campaigning, with increasing venom, against man himself They fly around the world in their tens of thousands (without ever seetng the irony in what they are doing) to hsten to

speeches from skilled manipulators who have arnved at the conference venue in their private jets They have been hed to repeatedly, and brainwashed into beheving that man-made climate change is our greatest enemy Anyone who dares to refer to the true science, and who questions the hes, must be attacked, dernonised, cancelled and silenced

The misguided thousands are told to say that there must be no debate because there 1s no doubt but in reahty there must be no debate because 1f there were a debate then it would quickly become very clear that the Emperor 1s naked and everything the public has been told about man-made climate change is a he Anyone who questions their myth and their lies, and who dares to argue that man-made clumate change is not a real threat, will be demomsed and dismissed as discredited

On the other hand, those who promote the myth are applauded and well-rewarded for their obedience (and stupidity)

Abrahams pointed out that the dedication of well-meaning people was being rmanipulated (with phony data) and that while endless bithons of dollars of pub lic money was being spent, fortunes were being made

Today, exactly the same hes are being told 1n the Americas, in Europe, 1n Asia and in Australasia Politicians and media commentators everywhere are sticking to the script they have been given and, unquestioningly, repeating every he they've been told to repeat Any politician who dares to step out of }ine 1s ammediately crushed

"What's happening in the 'environmental' movement 1s not a zero-sum game,' argued Abrahams thirty years ago 'There are winners and losers ona vast scale'

In this section of this book I will show how ruthless bankers and financiers

have, for many decades, systematically taken over all the world’s institutions, and how they have deliberately and cold bloodedly used the mythical threat of climate change to begin a process which will, 1f not stopped, almost certainly lead to a totalttanan world government and the deaths of billions The conspira tors behind the chmate change myth want to control all natural resources They wanit all the power and allthe money And to achieve their aims they will destroy every aspect of human life that stands in their way they will destroy farmly hfe, culture, history, patriotism and rehgion They will destroy pnde, respect and caring because they see these as annoying and potentially expensive weak-nesses The leaders of this massive he, mamly based in the United States, claim that ‘a policy for safeguarding the environment ts also a policy for safeguarding

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it 1s endless) S@ricu ws wuss eemacee sears aun es ae usiwars Of great wealth while at the same creating famine, starvation and genocide

Ironically, the conspirators frequently claim that their actions have helped eradicate war For example, they claim that the United Nations and the EU were both founded to stop war This ts patent nonsense The world has more wars now than ever before America has been at war almost constantly for 100 years Never before, in human history, have as many people been killed or injured in wars as were killed or injured in the 20th century

The bankers and their allies created the United Nations, an institution built on a fraud, to help them create a world government, and together with leftover Nazis they created the European Union, because they felt that regional powers would also lead them in that dxrection And then they hurned things along by creating the climate change myth, regarding it and the absurdity of ‘net zero as effective weapons tn their war for total control

Finally, to hedge thetr bets, they continued with the war-making, inciting wars, deposing or kiiing unhelpful leaders and using loans and debts to enabie them to steal natural resources

We are witnessing the greatest crime in history and if we are going to do any-thing about it we have to recognise that time 1s running out

Meanwhile, in order to fight this deadly virus of fear and les, we need to follow the trmeline and see who our enemies are, how they have fought this war Only by doing this can we look at their strengths and ther weaknesses In this part of the book I'm going to deal with the most significant influencers who have shaped our thinking on climate change, population control and other vital Issues

I should point out, of course, that the dates I have selected were taken not

at random but as necessarily selective and representative of the clearly wisibie trend designed to take us towards a world government, using the pseudoscientific myth of climate change as the weapon with which to create fear, mass hysteria and compliance

1762
Jean Jacques Rousseau, a Swiss wnter and philosopher, published The Social Contract m 1762 It was Rousseau who first pointed out that as people had grown less dependent on nature so they had become more dependent upon each

world peace’ while, at the same time, starting and prosecuting an endless (and it 1s endless) senes of wars which have resulted in the transfer of great wealth while at the same creating famine, starvation and genocide

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other - with this, mevitably, leading to aloss of freedom Today, we see this most vividly in the way that power cuts leave us helpless and strikers cause chaos
In 'The Social Contract', Rousseau pointed out that 'man is born free, and everywhere he is in chains' but then added that 'Those who think themselves the masters of others areindeed preater slaves than they' Rousseau was an advocate of the 'back to nature' theory that 1s now so widespread, Cunously, however, he is now pretty well forgotten though he did have an influence as a very early environmentalist

1798
This was the year when an English economst and vicar called Thomas Maithus created the notion that the earth could only hold so many people He warned that population growth had gone faster than food production and that better hyving conditions meant that families were able to have more children He also suggested that the increase in population was a result ofa higher birth rate Al his theories were quickly proved to be quite daft His first theory, that population growth would exceed food supply and cause starvation, has never been the case There 1s a great deal of starvation in the world today (in 2023) but that 1s not because there isn't enough food but because there 1s too much foodin some parts of the planet and not enough food in other parts His theory that better living standards would mean more children has been proved wrong too If anything, people usually tend to have smaller families as they grow wealtmer And his notion that the population was increasing because of a higher birth rate was also proved wrong The population was increasing because more people were surviving infancy and, therefore, living longer

Malthus's work led ta the eugenics movement which suggested that undesirables and mentally 11] folk should be stertlised to stop them breeding

During the Third Reich, eugenics became very popular with the Nazis and the 1dea was spread around the world guite successfully by a number of people For example, Margaret Sanger, a radical feminist and the founder of Planned Parenthood took the idea to America where she called for coercive sterilisation, mandatory segregation and rehabilitative concentration camps for all those she regarded as dysgemic In the 1970s, George Bush (later to become President George Bush) said that 'it 1s quite clear that one of the major challenges of the 1970s willbe tocurb the world's ferthty'

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Today, those who promote the idea that the world ts overpopulated (and that something must be done about it) are often nghtly labelled as racist — a label which it 1s as difficult to remove as it is to deny Its, I suspect, their insistence that the answer to the overpopulation problem hes with poor countries in Africa and Asia, rather than with billionaires with large farmles, that makes 1t easy for sensible observers to hnk the overpopulation argument with racism

There are many large holes mm the argument that the world 1s overpopulated and that there isn't enough food to go round So, for example it is well established that farmers use less than half of the Earth's arable land and yet, despite that, global food production has consistently increased much faster than population growth Moreover, some of the most populated countnes on earth (such as the Netherlands) have nevertheless been traditional exporters of food.

Several food experts have suggested that the earth could easily support a population of 30-40 billion Colin Clark of Oxford concluded that the earth could supply an American style diet for over 35 billion and that if people ate a Japanese diet, the earth could feed over 100 billion Roger Revelle, the former director of

the Harvard Center for Population studies, estamated that the earth could provide 2,500 calories a day for 40 bilhon people — even if farmers were using less than a quarter of the available land

Finally, there 1s now a widely held belief that the problem 1s not that the earth ts too crowded but that there are too few young people around Many countaes (ancluding China and Japan) have tnied to encourage couples to have more children

1891

It was in 1891 that Cecil Rhodes, the man who first realised the extent of the mineral wealth in southern Africa {and who gave his name to a country),

founded an organisation called The Round Table Rhodes, who believed in the idea of a world government, also set upa fund for scholarships at Oxford Univer sity and many of the leading Americans for a century have been beneficiaries of that fund Bill Clinton was just one famous Rhodes Scholar The Round Table has steadily grown in influence over the years

1913

US income tax was enacted in 1913 but within a few years, oi! and mineral com panies managed to free themselves from the onerous burden of paying taxes

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THEIR "ERR FYING PLAN

Today, those who promote the idea that the world ts overpopulated (and that something must be done about it) are often nghtly labelled as racist — a label which it 1s as difficult to remove as it is to deny Its, I suspect, their insistence that the answer to the overpopulation problem hes with poor countries in Africa and Asia, rather than with billionaires with large farmles, that makes 1t easy for sensible observers to hnk the overpopulation argument with racism

There are many large holes mm the argument that the world 1s overpopulated and that there isn't enough food to go round So, for example it is well established that farmers use less than half of the Earth's arable land and yet, despite that, global food production has consistently increased much faster than population growth Moreover, some of the most populated countnes on earth (such as the Netherlands) have nevertheless been traditional exporters of food.

Several food experts have suggested that the earth could easily support a population of 30-40 billion Colin Clark of Oxford concluded that the earth could supply an American style diet for over 35 billion and that if people ate a Japanese diet, the earth could feed over 100 billion Roger Revelle, the former director of

the Harvard Center for Population studies, estamated that the earth could provide 2,500 calories a day for 40 bilhon people — even if farmers were using less than a quarter of the available land

Finally, there 1s now a widely held belief that the problem 1s not that the earth ts too crowded but that there are too few young people around Many countaes (ancluding China and Japan) have tnied to encourage couples to have more children

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They did this largely because they qualified for something called a US depletion allowance — which 1s a tax deductible credit reflecting the value of the oil which has been taken out of the ground (Naturally none of this money goes to the countries from which the oil 1s actually being taken) In addition, oil cormpanies, like drug companies, manage to avoid paying tax by the use of foreign sub sidianes based in low or no tax countnes So, American oil companies took on from Saudi Arabia and then sold 1t to Panamamian or Liberian affiliates These affikates then sold the oil to distributors in the US or Europe, making sure that the price was high enough to ensure that the distributors didn't have to pay much if any tax Liberia and Panama are tax free zones and both use the US dollay as then currencies so they are extremely convenient

1921
At the end of the Great War {later to be renamed World War I), American and

British delegates at Versailles (where the Middle East was divided up and shared out among America, Britain and the major oil companies) formed something called the Institute of International Affairs and in 1921, the Amencan branch of the Institute was created and named the Council on Foreign Relations (CFR) The Council's leadership and main influencers were bankers and lawyers acting for bankers For over a century now the CFR has been at the centre of American politics and most Secretanes of State, National Security Advisors, CIA Directors and UN Ambassadors have been members It has been usual, too, for chairmen of the Federal Reserve to be members of the CFR Other members have included leading bankers John Kenneth Galbraith and George F Kennan (both of whom we will meet later) were also members of the CFR It is the CFR not the two main political parties which controls the United States, and a fairly superficial scru-tiny will show that The Republicans and the Democrats are actually members of the same party (The same thing 1s true of the UK where there 1s rarely, uf ever, any discernible policy difference between the three main political parties) In his book Power Shift, author Alvin Toffler describes the people who have the power imthe US as 'The Invisible Party’ In the UK, by the way, the British version of the CFR is known as the Royal Institute for International Affairs

1930
The BIS was created in 1930 by the world's central banks, including the Federal Reserve Bank tn New York and the Bank of England in London The BIS was

primanly the brainchild of Hjalmar Horace Greeley Schacht, the president of the German Reichsbank and the Naz: Mimster of Economics

Schacht set up the BIS because he knew that there was eventually going to be a war between Germany and other European countries The plan was that the BIS would enable the Nazis to maimtain channels of communication between Berlin and financial institutions around the world Schacht made sure that the BIS’s charter emphastsed that the Bank would remain rmmune from censure or closure during war Moreover, Schacht was clever enough to disguise the BIS’s main purpose by clatming that the BIS would help Germany provide the Alltes with financial reparations owed after Worid War I However, instead of money flowing from Germany to the Allies, it went in the other direction and was used to help Hitler build up a war chest for the coming conflict The Nazis were un-doubtedly helped 1n this by the fact that the first presidents of the BIS, who were American, were easy to deal with (One of the first presidents of the BIS was an American called Leon Fraser who had been a tabloid journalist and who had lit-tle or no background 1n banking) The BIS, the central bank for central bankers,

quickly became the most important and powerful bank in the world
In March 1938, Hitier's armies moved into Austria, and one of the first things

the troops did was to steal the nation’s gold and transport it to vaults controlled by the BIS More Nazi troops tned to do the same thing when they marched into Prague Nazi soldiers demanded that the directors of the Czech National Bank hand over Czechoslovakia’s supply of gold — $48 million worth The directors rephed that they had already moved the gold to the BIS with instructions that it

be sent to the Bank of England Unfazed by this, the Nazis simply instructed the Czechs to tell the Bank of England to send the gold back to Switzerland The Governor of the Bank of England (a flamboyant and traitorous exhibitionist called Montagu Norman) made life easter for the Nazis by immediately authorising the BIS in Switzerland to take $48 million worth of gold from the Bank of Engiand's account and to put it straight into the German account so that 1t was immedi ately available for the Nazis to use By 1939, when the War began, the BIS had made many millions available to the Nazis

For decades, the Bank for International Settlements, then and now the most powerful bank in the world, has been so secretive that it is not even mentoned m most books about the Second World War Today, it is stall the central bank for the world's central banks butitis no exaggeration to say that without the BIS and

IG Farben there would have been no Second World War And there would be no European Union

In 1940 an American, Thomas McKittrick, was appointed president of BIS as a replacement for Leon Fraser McKittrick was a lawyer and a friend of the Nazi party and he turned BIS into an armofthe Reichsbank Fluent in German, McKit

trick had previously worked for Lee, Higginson and Company and had made large loans to the Nazis There 1s no doubt that McKattrick's sympathies were with Germany Indeed, in 1940, during the War he went to Berlin and had a meeting at the Retchsbank with the Gestapo And the BIS under McKittrick continued to act as a middleman for stolen gold

By the start of World War II, the BIS was already controlled by Hitler McKit trick was the president of the Bank but the other directors cluded Hitler's econonucs adviser, Dr Walther Funk, Emu Puhl, a director of the Reichsbank, Hermann Schmitz, the head of the Nazi conglomerate known as IG Farben (the company which built the concentration camps and supplied the poison gas for the pas chambers) and Baron Kurt von Schroder, a banker and Gestapo officer

Throughout the War, the BIS accepted and stored looted gold and carned out foreign exchange deals on behalf of Hitler Much of the gold accepted by the BIS carne from the teeth and belongings of concentration camp victims Hitler's economics adviser, Walther Funk, worked with Heinrich Himmler {a leading Nazi and head ofthe 8S) toensure that gold from concentration camp victims was put into a special Reichsbank account Gold from jewels, spectacle frames, watches, cigarette cases and teeth was melted down into 20 kilogram bars and sent to Switzerland where it could be 'laundered' through the Swiss National Bank before being made avanlable ta the Nazis, via the BIS, as 'clean' gold McKittrick, who constantly provided the Rerchsbank with intelligence material, helped the Nazis take control of occupied countnies and their banks

Astonishingly, the Bank of England continued to cooperate with the BIS throughout the War, although the Bntish directors Sir Otto Niemeyer and Montagu Norman must have known that the BIS was effectively Hitler's mex-

haustible piggy bank Without the BIS’s cooperation, the Nazis would have run out of money for arms and the Second World War would have probably never started or would have ended within a year or so at most In June 1940, $228 million worth of gold which the Belgian Government was trying to send to safety was intercepted by the BIS and redirected to the Reichsbank Moncy stolen from

Holland also went via the BIS tothe Nazis Most of the money paid out by the BIS in dividends went to Hitler's Germany

In February 1942, two months after Pearl Harbour, the Retchsbank and the German and Itahan Governments decided that McKittrick should remain President of the BIS for the duration of the War In one Nazi document it was stated that ‘McKittnck’s opimons are safely known to us’ The faith of the Nazis was well placed, for the BIS continued to provide gold for their use

Throughout the Second World War McKittrick travelled around Europe quite freely, on occasion bemg escorted by Himmler's special SS police force MckKittrick even went back to America for a meeting with the Federal Reserve Bank and then returned to Berlin where he reported to the Reichsbank

Not everyone ignored what was happening mm Switzerland In his book The Hidden Enemy pubhshed in 1943, Heinz Pol wrote ‘The Bank for International Settlements in neutral Basel, Switzerland, has been, since 1941, almost entirely controlled by Axis representatives ‘In 1943, Congressman Jerry Voorhis of California called for an investigation into the BIS, demanding to know why an American was the President of a bank which was being used by and for the Nazis Nothing happened Again, in early 1944, Congressman John F Coffee asked sim1lar questions He pointed out that the majority of the board of the BIS was made up of Nazi officials but that American money was being deposited inthe bank At an International Monetary Conference held at Bretton Woods in 1944, a Norwef1an economust called Willzam Keilhau called for the BIS to be dissolved and for there to be an investigation of the bank’s books and records However, Keynes, an mfluential economist, said that the BIS should be allowed to continue until a new world bank and an international monetary fund could be set up. Amazingly, the argument for retaining the BIS was that the bank would help restore and rebuuid Germany at the end of the War It was argued that if the BIS were dissolved, the Germans would fear that their relahonship with Amenca mught not survive the end of the War

Nevertheless it was dectded by the Americans that the BIS should be hquidated Astonishingly, however, McKittrick simply refused to accept the decision He wrote to America and to Britain arguing that when the War ended the Alhes would have to pay huge sums of money for the rebuilding of Germany and that these would be best paid through the BIS When questioned about the gold which the Nazis had stolen, McKiattnck replied, apparently with a straight face, that it was being held1n the vaults of the Reichsbank so that it could be returned

to its owners after the end of the War In May of 1944, McKittrick and his staff dealt with the $378 million m gold which the Naz: Government sent to Switzer land for use after the War By then the Nazts realised that they were losing the War and the gold (some of which had been stolen from the national banks of Austria, Belpium, Czechoslovakia and Holland and some of which had been

melted down from gold collected from jewellery spectacle frames and teeth of murdered prisoners in the concentration camps) was intended to be used by the Nazis after the end of the War McKittrick must have known this but he and the BIS were happy to deal with the stolen gold In 1948, the BIS was ordered to hand the looted gold over to the Alhes The amount handed over came to just $4 mullion

No one at the BIS ever admitted what had happened to the hundreds of mil- lions in stolen gold which had been deposited there by the Nazis No one ever found the $374 million which was missing from the money sent for the use of the Nazis after the end of the War

There was ample evidence to show that McKitrick had willingly cooperated with the Nazis but after the War he was given important posts in America in cluding being made vice-president of the Chase National Bank (This was per- haps not surprising since during the War the Chase Bank in Paris had helped finance the Nazis)

After the end of the War, Karl Blessing, a Nazi who had controlled an army of slave labourers in Germany’s concentration camps, returned to the BIS and be came president of the Bundesbank Nevertheless, it was felt that someone from the BIS needed to be puntshed and so in 1945, Emil Puhl, who had been vice president of the Reichsbank and a director of the BIS, was one of the few civihan Nazts to be found guilty of war crimes Puhl had been responstble for moving Naz) gold during the War — knowing that much of the gold had come from prisoners in Germany’s various concentration camps Puhil was sentenced toa modest five years in prison but he appears to have served very httle of this and in 1950 he was invited by his friend Thomas McKittrick to visit America as his guest Puhl, a Nazi economist, director of the BIS and the Reichsbank had been McKittrick’s go between with the Nazis

The Americans and the British wanted the Bank for International Settlements to be dissolved after the end of the War but instead, 1t went from strength to strength In 1954, the European Coal and Steel Community (the forerunner of the European Union) asked the United States for a loan of $100 million In-

evitably, the loan was arranged with the help of the BIS — the bank which had worked closely with the Nazis during World War II

Legally untouchable and existing outside all jurisdictions, the BIS was created to act as the central bank for central bankers It is disturbing to realise that the

BIS ts still the most powerful financial institution in the world though many politicians, economusts and bankers have never even heard of it

The BIS has been at the centre of financial events since the end of World War II

1941
In many ways, 1941 was the most significant year of the Second World War It was m 1941 that the Alles began to put time and effort into post war pian- ning Roosevelt produced his Four Freedoms in January 1941, and the Anglo American Atlantic Charter was published in that year It was also im that year (after the Japanese attack on Pearl Harbour ~ which actually came as no surprise to anyone) that Roosevelt produced his draft for the public Declaration of the United Nations Preparatory work was done by Alger Hiss who was acommunist and a Soviet spy as well being a member of the Council on Foreign Relations The document declared that the 26 states which had signed were fighting ‘to defend life, liberty, independence, and religious freedom and to preserve hurnan rights and justice in their own lands as in other lands’ The document was finally published on Ist January 1942 with the four great powers (the Umted States of America, the Umted Kingdom, the Soviet Union and China) Itsted first and 22 lesser states sted mn alphabetical order De Gaullist France was excluded from the list so as not to recognise it as a government

And thus was born the United Nations, and, ironically, the beginning of the end of hfe, kberty, independence and relipious freedom

The Umted States had refused to join the League of Nations after World War 1 because 1t wasn’t allowed to have veto power over decisions (the US has always refused to join any judicial, economic or diplomatic institution unless it has yeto power) and the US only agreed to join the UN on condition that it had the power of veto (And, of course, the US has veto power over the World Bank and the International Monetary Fund - which effectively means that Amenica controls these mmsttutions)

Because the US has veto power, the United Nations cannot pumsh American war crimes (the use of Agent Orange in Vietnam or the use of depleted uranium

m Iraq and Afghanistan for example) and cannot punish Amentca for the theft of land, gold and resources or the breakang of promises (President Putin has de- scribed America as ‘non-agreement-capabie’)

Today, America creates sanctions agatnst other countries for no other reason than that the country being sanctioned has a policy which doesn’t match Amer- ican views So, for example, the US has troduced sanctions against Uganda be- cause it doesn't approve of Uganda's pohcy on lesbians and gays, etc

1943
It is generally thought that American helped Britain win the Second World War by providing ships, fuel, food and so on But things weren't quite that simple

The provision of arms and other help was a lend-lease scheme In 1943, President Truman said ‘If Bntam cannot pay us dollars for petroleum needed by her and cannot, by reason of a shipping shortage or other situation, procure the petroleurn she needs from the petroleum she controls in Asia, South America and the Dutch East Indies, consideration should be given as to whether she might not pay for the petroleum obtained from us by transfernng to us her ownership of an equivalent value of foreign petroleum reserves or of the English held secunties of the corporations having title to such reserves’

And thatis what happened
During the Second World War, the US opened up Britain and its Empire with

a ‘your money or your hfe’ offer —knowimg that Britain was desperately m need By 1945, the US claimed $20 Inllion from Brita — leaving Britain close to being bankrupt It seems that Amenican politicians {or at least some of them) have never been able to forget or forgive the fact that their country was once one of Britain's colonies

The US insisted that Britaan jorn the International Monetary Fund (on Amer1ca's terms) and demanded access to Britain’s foreign markets The terms of the loan which had helped Britain dumnng the War stopped Bntain devaluing sterling until 1949, and that forced Britain’s balance of payments intodeficit Sterling became a satellite currency of the American dollar

What happened to Britain durimg and after the Second World War has happened to many other countnes around the world Loans are used to take control of assets and the bankers are the only winners

America was the big wmner m World War II, Germany did very well finan cially and Britain was the big loser

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THEIR ~ERF FYING PLAN

1944
At the Bretton Woods Conference in 1944, two thoroughly evil financial organisations Were set up the World Bank and the International Monetary Fund, The two orgamisations were set up by a couple of deeply unpleasant men Harry Dexter White (a communist and almost certainly a Russtan spy) and John Maynard

Keynes {a Bntish economist who beheved that governments could and should spend money they didn’t have)

The first president of the World Bank was a Nazi lover called John McCloy In her book The Shocking History of the EU, Zina Cohen explains that McCloy was the banker who helped war criminals (who had made huge amounts of money out of concentration camp siave labour) to avoid unpleasantness at the end of the War McCloy also helped set up the United Nations and was, without a doubt, one of the nastiest villains of the 20th century

Both these organisations are based in Washington
The president of the World Bank is elected and somehow always manages to

be American As 1 write, the President of the World Bank is Ajay Banga who was previously head of Mastercard.

So that things don't look bad, the president of the IMF 1s not usually an American but that doesn't make any difference to anything Both organisations are effectively controlled by and for American banks and financiers and whatever it might say tn their constitutions, their rea! aims are to ensure that really, horrible rich people get even ncher (for doing absolutely nothing of value) while poor people around the world (and poor and middle class people m Amenica and Europe) struggle, work hard, get poorer and die as soon as they have stopped doing useful work That's the plan and it's working out very micely The World Bank is officially two banks (the International Bank for Reconstruction and Development and the International Development Association) and three other or

gamsations But the conglomerate 1s known as the World Bank
Since the World Bank was created, the US policy has been to secure foreign

markets for farmers and for industry Grains and meat have long been an essential part of the US trade balance and both are used as weapons 1n the fight for global supremacy US officials have led the World Bank to lend countries money for building ports, road building and other infrastructure and to pro mote the growing of crops such as palm oil, bananas, spices and rubber which don't compete with US farm products Small farms go out of business as huge conglomerates take over the land And, of course, the countries producing these

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THEIR ~ERF FYING PLAN

products have to nmport (usually from America) the essential food supphes they need Countnes are pushed to hire US engineers and construction compamies in order to produce these exports and they then see their earnings siphoned off with foreign owned companies (beholden to American banks) ending up with all the mcome Local taxpayers are expected to pay back the cost of the construction work demanded by the US and facilitated by the World Bank

The World Bank's policy of supporting large scale businesses (such as Monsanto-Bayer which is infamous for its policy of taking out patents on seeds which have been used by families for generations and thereby putting small farmers out of business) at the expense of small scale farmers has been widely enticised It is, however, supported by the US Agency for International Develop ment, the British, Dutch and Damish governments and the Gates Foundation

1947
The globalsts love creating new organisations designed to help create a world government They obviously feel that having lots of orgamtsations with the same aim means that their ambition will be more speedily fulfilled

In 1947, the World Federalist Assomation was farmed by a couple of members of the Council for Foreign Relations - Norman Cousins and James P Warburg (a member of the family which had helped set up America's Federal Reserve System) The aim of the World Federalist Association is to turn the United Nations into a world government through a world court, a world mcome tax and an

mternational peace force (The Umted Nations describes tts army as a Peace keeping Force Not everyone would agree with this name UN troops helped a communist called Patrice Lumumba take over the Congo and slaughter innocent men, Wornen and children in hospitals in the early 1960s }

1949
NATO (the North Atlantic Treaty Organisation) was created in 1949 as a way to halt the spread of Soviet power in Europe Today, NATO is pretty well controlled by the United States, with the other members doing what they are told, America is the big rock star and the other countries in NATO are session musicians providing backing music NATO consists of dozens of commuttees and a huge military bureaucracy In 2022, NATO backed Ukrame in its fight with Russia and created (for pohtical reasons) a designer war Ukraine was not (and 1s not)

a member of NATO and there was no logical reason for NATO to be involved in

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THEIR ~ERF FYING PLAN

the war In the spring and summer of 2023, 1t was announced that NATO would send depleted uranium shells and cluster bombs to Ukrame to be used 1n the war These actions turned all the leading politicians of the countries involved in NATO into war criminals

1954
It ts impossible to consider the plan for a world government without mentioning the Bilderbergers

I have been writing about the Bilderbergers for decades, and hike most other writers I’ve never been able to find out much about them Although taxpayers around the world always pay for their security, the Bilderbergers and the Biiderberger delegates all keep their meetings very secret And they naturaliy label as paranoid, and as conspiracy theonsts, anyone who suggests that there might be something ever so slightly suspicious about a bunch of politicians, bankers, officials, intelligence agents, war criminals (I can name at least one war criminal who has attended), media tycoons and industrialists holding regular secret meetings to discuss the future of the world Journalists who dare to try to find out what ts gomg on, what the meetings are about and the names of the participants quickly find the meaning of the ward ‘secrecy’ The CIA and MI5 could take lessons in secrecy from the Brlderbergers

You might think that having media tycoons at the Bilderberger meetings would mean that titbits of news might leak out occasionally But you'd be very naive to think that Consider this quote from Bilderberger David Rockefeller ‘We are grateful to The Washington Post, the New York Times, Trme magazine and other great publications whose directors have attended our meetings and respected their promuse of discretion for almost forty years It would have been impossible for us to develop our plan for the world 1f we had been subject to the bnght lights of publicity dunng those years But the world 1s now more sophisticated and prepared to march towards a world government The super-national sovereignty of an intellectual ehte and worid bankers is surely preferable to the national auto-determination practised in past centuries’

Named after the hotel where the conspirators first met in May 1954 (the Hotel de Bilderberg in Holland) the group was created by Prince Bernhard of the Netherlands, a powerful Dutch businessman, a friend of the Rothschilds anda former Nazt SS storm trooper who descrtbed ms work for Hitler as a lot of fun and yet somehow managed to remain an eminent member of Dutch society after

the end of World War Il Interestingly, Bernhard was a Naz: at the same time as Klaus Schwab's father Schwab, of course, 1s the founder of the World Economic Forum (The hnks between the Nazis and those who want a world government are never ending) No attempt has ever been made to hide the fact that the intention of the Bilderbergers is to create a World government or as it has also been described a 'new world order'

(As an aside, the Oxford Dictionary of English describes a conspiracy as 2 secret plan for a group to do something unlawful Since the Bilderbergers are nothing if not secret, and since their plans do not have any legal authority but do impact on every citizen in the world, it is clear that the Bilderbergers are conspirators (This fact rather weakens the labelling of those who wnte about them as 'conspiracy theorists' The conspiracy 2s not a theory it 1s clearly a fact)

Much is discussed at Bilderberg meetings, many decisions about our future are reached and many plans are put into action There ts much discussion of the usual issues such as world government, climate change, China, Russia, Brexit and the weaponisation of soaal media The main aim 1s to create a one world government with one central currency and one bank and one army However, although the dectsions and the plans concern us all, the Bilderbergers insist on keeping all their deliberations quite secret Nevertheless itis sometimes possible to trace events back to their meetings For example, after ane meeting (which was attended by Henry Kissinger, the U.S President's advisor on foreign affairs) President Nixon opened up trade with China and devalued the dollar Ponce Bernhard had previously boasted that one of the subjects of Bulderberger meet ings was to bring about 'change in the world-role of the Umited States' There may be some who find it surprising that the American media, usually intensely patriotic and defensive, did not seem to mind one whit that an anonymous group of power brokers was intent on changimg the world-role of the United States!

1959

The Council for Foragn Relations has controlled American foreign policy for many years In 1959 the CFR published this statement 'The US must strive to buid a new international order which must respond to world aspirations for peace and for social and economic change'

1962

Itis generally beheved that the World Wide Web was created by an Enghshman, Tim Berners-Lee, but the internet was created some years before that

American milttary experts were worned that one Soviet missile could destroy America’s entire telephone systern An alternative was clearly required and im 1962, a sctentist in America named JC R.Lickhder proposed that a network of computers be set up that could talk to one another even if the telephone system was destroyed In 1965, another scientist found a way to send information from one computer to another using 2 system called 'packet switching’ In 1969, the first message was sent from one computer to another Each computer was the size of asmall house

During the 1970s, the network grew and by the end of the decade alarge num ber of computers were involved.

And then in 1991, Tim Bermers-Lee, who was working in Switzerland, intro duced the World Wide Web Instead of being used as a mauling system, the World Wide Web could be used to store information that anyone could retrieve So Berners-Lee created what we now think of as the ‘internet’

And in 1992, Congress in the US, decided that the Web could be used for commercial purposes (For the record that was the year when | first had a presence on the internet.) America has effectively controlled the internet ever since then Without the imternet, it would have been impossible for the conspirators to develop effective social credit systerns or digital currencies

We are constantly encouraged to believe that the mternet has made the world a better place But hasit* It hastaken away our freedom and created new stresses and pressures for everyone Social media and social credit have taken us, with quiet certainty, towards the quiet death of the spirit And surely it was easier to find a workman, for example, when you could look up local tradesmen tn the telephone directory instead of having to plough through pages of misleading advertising and trying to decide which of the companies on the internet are gen umely offermng a local service

More importantly, the conspirators love the internet It gives them complete control It has removed all our privacy All the mayor internet companies (Microsoft, Yahoo, Google, Facebook, YouTube, Skype, Apple, ete, etc) will give your data to whichever government asks forit Governments everywhere can see all your emails, chats, all your videos, all your pictures, all your contacts and all the websites you have visited This mtrusion began when Obama was President of the US (he gave government officials the mght to monitor compliance and

obedience and initrated the basis of social credit schemes in the US) and it has gradually become more intense Governments claim that they have to look at what people are saying to help them deal with national emergencies such as the fake climate emergency which will always do very nicely, thank you, when any government department 1s looking for an excuse to do something intrusive Since May 2023, the Federal Reserve in the US has been able to track everything

you do with your money, and President Biden has been pushing for the IRS to be able to monitor everyone's bank accounts Today, governments all around the world have estabhshed blueprints for controlling all their citizens and they are going to centralise everything, control all payment systems and give themselves the power to control how you earn, save and spend your money All thanks tothe mternet (In Canada, Trudeau used the 1988 Emergencies Act to freeze 266 bank accounts belonging to Canadians who had donated money to help the truckers protesting about mandatory vaccinations Bank accounts of American citizens were frozen too.)

Without the internet there would be no social credit system The internet has,

indeed, been essential to the fraud thats the Great Reset Allowing and encour-aging anonymous comments and reviews was always difficult to understand until you realtsed how essential these have been for breaking down society sup-pressing and demonising truth-tellers and destroying humamty Governments every where have used their intelligence services to dominate the internet Inthe US, the CIA has been domimant and 1n the UK the British army deployed its 77th Brigade to assist the security services MI5, Special Branch and GCHQ

None of the things that has happened in recent years could have happened without the internet and there ts no doubt that the mternet has become the most powerful weapon against the people and against freedom But things can pet worse, much worse If and when the authorities decide to msist that those using the internet have a digital licence to allow them access, the future will be bleak indeed for those denied sucha kcence They wall not be allowed to buy food or electricity In June 2023, I reported that shoppers who wanted to buy food at an Aldi ‘shop and go’ store had te download an app before they were allowed into the store Anyone without a smart phone and the Aldi app couldn’t even enter the store | wrote at the time that ‘If we allow Aldi to get away with this then our war with the conspirators 1s over We are well and truly inside the Great Reset Anyone who shops at Aldi is a collaborator — aiding and abetting the totahtanan conspirators who want to take over our lives’ But few people took any notice or

recognised the problem or thought about the millions of mainly elderly citizens who don’t even own a smart phone Thousands love the convemence of their smart phones and their ubiquitous apps

Politictans, commentators and computer companies claim that the internet, smart phones and other developments have all improved life But that depends on how you define ‘improved’

Are children better off playing games on computer consoles or spending hours every day keeping their Facebook profiles up to date and worrying about thetr socral media ratings? Today’s children feel delight when they receive an ap-proving tick after re-posting a message written by someone else Is that the new version of pride and self-satisfaction? (I have little doubt that the obsession with ratings on the internet 1s part of the plan to accustom us to a world in which we receive ratings for everything we do The step from social media to social credit

1s a Very small one)

Social media has become so powerful that many now censor themselves for fear of being the victim of an organised attack by the mob (or, rather, the small

number of woke collaborators who control somal media) and losing their jobs, ther money, their homes, and thei reputations There 1s no free speech and no debate Soctal media has created a world in which people in cliques spend much of their time hurkng abuse at one another The world has become a sertes of factions - communists masquerading as liberals, transgendered individuals and their enthusiasts demanding ever expanding nghts, gays demanding more of something, anything, black hves matter campaigners thinking up reasons to protest, pro-vaccine enthusiasts abusing those who question the safety and efficacy of vaccination programmes and so on

And with internet robots, Al and government agencies adding to the smorgasbord of abuse, itis hardly surprising that m every country in the world fear has become the plat du jour Mobile phones have, for many children, replaced frendships, family and schoolwork Young people no longer live thew hves in a natural way They appear selfish, entitled and demanding and they overshare because they are constantly performing. They live in dread of the thumbs down buttons, the anonymous abuse, the disapproval from those within or without thew tbe Social media sites offer fame and fortune to the tiny few, and destruc tion and despair to the many Dishonesty and hysteria are deliberately encour aged Loaded weapons in thew hands would do less harm than smart phones Facebook alone has three billion users (I've never even been aliowed onto the site

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for I was told that 1 was too dangerous to their community to be allowed to joi) The lockdowns, the socal distancing and the mask weanng regulations broke their spirit In countries around the world chnicai depression is now endemic among teenagers and undergraduates Fears are created and exaggerated on a datly basis Self-harm and suicide are endermec too Research shows that chil dren who spend a quarter of their walong hours staring at their smart phones (an average sort of level of obsession) do not develop mentally Mask weanng slowed development still further The combination of smart phones, lockdowns, social distanctng and masks has caused anxiety, depression and aggression Boys tend to watch violent video games and become aggressive Girls tend to watch fashion videos on TikTok and thew ambitions revolve around that and similar channels It 1s not surprising that at school they absorb the garbage they are fed about climate change and blame the coming catastrophe on ther elders Alt this is being micromanaged by the collaborators on behalf of the conspirators It is behaviour therapy designed to create anger and illness Schools now dish out iPads 1n preference to text books and exercise books, though there 1s as biga need for health warmings on 1Pads as there 1s for warnings on cigarette packets Such online legislation as exists 1s designed not to protect the mnocent and vulnerable and naive but to crush free speech and truth telling which 1s considered dangerous

The authorship of the Report from lron Mountain has always been Indden be hind the pseudonym ‘John Doe’ but there 1s no doubt that the Iron Mountain report is entirely genuine (The establishment and the mainstream media have long argued that it is fake, and controlled opposition who have infiltrated the alternative or independent media have, for obvious reasons, also tried to dismiss the Iron Mountam report) However, John Kenneth Galbraith, the Harvard economust and a long-term member of the estabhshment confirmed that the report was genuine and admitted that he was involved in its preparation In the Iron Mountain Report, Galbraith and his colleagues explained that war, or the threat of war, was a good thing from the point of view of governments because it helped to convince the people of their nght to nue They also admitted that war allowed for more expenditure {on arms) and helped create a more stable pohtical structure

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And when they looked for a substitute for war (or, rather, an ‘add-on’) Galbraith and his colleagues agreed that ‘the substitute unless 1t provides a behevable life-and-death threat it will not serve the socially organising function of war’

The writers of the Special Study Group {who produced the Iron Mountain Report) also noted that ‘Economic surrogates for war must meet two pmncipal entena They must be ‘wasteful’, in the common sense of the word, and they must operate outside the normal supply-demand system A corollary that should be obvious ts that the magnitude of the waste must be sufficient ta meet the needs of a particular society An economy as advanced and complex as our own requires the planned average destruction of not less than 10% of gross national product '

The Special Study Group examined a number of substitutes for a traditional war and considered a war on poverty and 'the threat of an out-of-our world invasion threat’ and their report includes these words ‘It may be, for instance, that gross pollution of the environment can eventually replace the posstbihty of mass destruction by nuclear weapons as the principal apparent threat to the survival of the species Poisoning of the air, and of the principa! sources of food and water supply 1s already well advanced, and at first glance would seem promising im this respect, it constitutes a threat that can be dealt with only through social organisation and political power But from present indications it will be a generation to a generation and a half before environmental pollution, however severe, will be sufficiently menacing, on a global scale, to offer a possible basis for a solution '

In a section entitled ‘Substitutes for the Functions of War’ Galbraith and his colleagues concluded ‘However unlikely some of the possible alternate enemies we have mentioned may seem, we must emphasize that one must be found, of

credible quality and magnitude, if a transition to peace is ever to come about without social disintegration '

And they add ‘It is more probable, mm our judgement, that such a threat will

have to be invented, rather than developed' and, im summary, note that 'what is involved here, im a sense, 1s the quest for Wilham James' 'moral equivalent of war'

Finally, the report's author gave readers some background information He wrote 'The general idea for this kind of study dates back at least to 1961 It

started with some of the new people who came 1n with the Kennedy Admunistration, mostly, I think with McNamara, Bundy, and Rusk'

The enthusiasm for war (or some substitute) as a means of controlling the population has been espoused by other groups

In their book, IMumrnat: Agenda 21, Dean and Jill Henderson report that in

1909, the trustees of the Andrew Carnegie Foundation for International Peace concluded 'There are no known means more efficient than war, assuming the objective is altering the life of an entire people How do we involve the United States in a war?

1968

The Club of Rome was founded tn 1969 It1s descnbed as a global think tank, and although itis without doubt global and doubtless a tank there doesn't seem to be much 'think' tnvolved The club follows the thinking of Malthus, and produced a report entitled The Limits to Growth which dealt with the rapidly growing world population and the allegedly finite resource supplies

Members of the Club of Rome, who believe m sustainabibty and have links to the WEF, have clamed that the planet earth can only provide resources for one billion people, and so over six billion must die Representatives of the Chub have given many lectures and been given many awards for their work on overpopulation and climate change - both of which members seem to beheve are real problems

The Club of Rome has a stster organisation the Club of Madrid which, you will surpnised to hear, supports sustainability and giobal governance Members in clude Billi Clinton, Gordon Brown, a vast nurmber of other former presidents and prime ministers and UN Secretary General Antomo Guterres

1968

Reducing the world's population had been a popular theme among the globalists for some years but it was in 1968 that the argument about the world being crowded first becarne a popular topic in the media That was when Paul Ehriich published his sensational book The Population Bombin which he warned that the world was vastly overpopulated Ehrlch had obtained a doctorate after studying parasitic mites and the book was onginally published by the Sierra Club with Ballantine Books

Ehriich was always happy to offer journalists a prediction or two

In 1967, writing 1n a British magazine called New Scientist, Ehrlich warned that the ‘battle to feed humanity 1s over, and predicted that between 1970 and 1985, the world would undergo vast famines He recommended putting luxury taxes on baby foods and diapers in order to discourage people from having babies, and advocated tying food aid 1n developing countnes to population control

Ehrlich got masses of publicity and helped found Zero Population Growth which advocated legalised abortion, government supported birth control, tax incentives for smaller families and a limit of two children per family (as was mtroduced in China) He argued that if population growth were maintained at its then rate, there would be 60 million billion people on earth within 900 years — with 100 people for every square foot of land and sea surface His prediction took absolutely no account of famines, disease and soon He saidthatthe world’s population would continue to grow as long as the birth rate exceeded the death rate and offered two solutions finding a way to lower the birth rate or raising the death rate (through war, famine or pestilence)

Today, the conspirators still clanm that it is necessary to reduce the size of the global population, and governments everywhere claim they are concerned not Just by the size of their ageing populations but also by the overall size of their populations And so there are global plans to cut the overall world population down frorn its current figure of around eight bilhon to a much lower number The figure of 500 million (just half a billion) 1s widely quoted as the number of people that the earth can comfortably hold This rmphes somehow getting rid of seven and a half billion people All of this is based on a baseless tower of lies Planet earth 1s perfectly capable of providing more than enough food for eight, ten or twelve billion people or even more and although there are clearly pockets of overcrowding, it is difficult to accept that the world is over-crowded The certainty 1s that much of the food 1s in the wrong place at the wrong time (because of politics, greed and faulty logistics) and many people are aiso encouraged to crowd into huge cities when there would be plenty of room for them if they were allowed or encouraged to live in or around smaller communities

It seerns to me that the conspirators have two fundamental depopulation policies 'End global poverty by killing all the poor people’ and 'End disease by killing ail the sick’

Their whole cruel philosophy 1s actually based on a myth
As I pointed out earlier, 1t was Thomas Malthus who, in 1798, first suggested

that the world’s population was growing too large and that the Earth’s resources

wouldn't be able to cope Gloomy, Malthus predicted starvation, misery and

war

But the evidence shows that Malthus was wrong The world population was two billion a century ago and today it 1s eight billton but the proportion of people living in abject poverty has fallen from 90% to 10%

The 1rony ts that of anythmeg, the problem 1s that the population 1s growing too slowly Population growth has slowed rapidly in the last half a century and in western countries in particular the percentage of elderly and dependent citizens has risen rapidly as a proportion of the total population

There are, in short, too few working age citizens around The result is that governments are mtroducing policies ruthlessly designed to kul off the elderly and the sick (in other words the 'dependent') And the situation is getting worse Governments and councils are committed to paying pensions that they cannot

possibly ever pay It is still not widely apprectated but pensions are not paid out of the taxes paid by those workers but by the taxes paid by the generation currently working This has never before caused serious problems but today's younger generation seems to have taken exception to the way things work and have developed an antipathy towards the elderly which I find rather sad

I first warned about this huge demographic problem in my book Health Scandal which was published in 1988 and recently republished

1969

In 1969, Dr Jose M R.Delgado published a book called Physical Control of the Mind Toward a Psychocivilised Society The book 1s as termfying as the title suggests but Delgado has become increasingly significant in recent years with his work enjoying something of a renaissance

This 1s what 1 wrote about his work in my book Paper Doctors 1n 1976
'In the 1950s, Dr Delgado of the Yale University School of Medicine showed

that two cats, normally quite fnendly, could be made to fight fiercely if elec trodes implanted in the brain were given impulses Even when it continually lost its fights, the smaller of the two cats continued to be aggressive when stimulated In one dramatic experiment, Dr Delgado wired a bull with electrodes and then planted himself m the middle of a bullang with a cape and a small radio transmitter The bull charged but was stopped by Dr Delgado pressing a button on his transmitter The bull screeched to a halt inches away from its target Dr Delgado has reported that 'Animals with implanted electrodes in them brains

have been made to perform a vanety of responses with predictable reliability as if they were electronic toys under human control'

Similar experiments have been performed with human beings The patients selected had all proved dangerous and had shown that they had uncontrollable

tempers By electronic stunulation every patient was controlled More detailed accounts of these expermments can be read in Physical Control of the Mind by JMR Delgado’

Delgado claimed that it was possible to control human behaviour in a number of ways

By implanting electrodes deep in the brain of mental patients and preventing or provoking certain lands of behaviour by stimulating brain centres with tny electric charges

Implanting tiny tubes im the brain and releasing into them drugs which change the activity of brain centres and hence behaviour

Having a direct line of communication from a bratn toa computer and back to the brazn without having information pass through the sense organs

Delgado reported that it was possible to control behaviour secretly because there are no visible wires or electrodes. Day and night supervision 1s possible without even touching the individual

And thus was born, over 50 years ago, the idea of taking complete control the behaviour of human beings

1970

In April of 1970, US President Richard Nixon announced the first Earth Day and that same year he establsshed the Environmental Protection Agency

The then UN Secretary General, U Thant, was one of the first of many to offer a scaremongering prediction when he wrote that ‘For the first time in the history of mankind, there 1s ansing a crisis of worldwide proportions involving developed and developing countries ahke —-thecnsis of human environment it is becoming apparent that if current trends continue, the future of life on earth could be endangered’

Since Thant issued this warning, pretty much the same warning has been issued by every political leader every media commentator and a Swedish school pri

And in that same month 1n 1970, an article by George F Kennan appeared in the journal Foreign Affairs (the quarteriy publication of the Council on Foreign

Relations) Kennan argued that the ‘war’ on pollution would have to be nterna-tional since ‘the ecology of the planet 1s not arranged in national compartments’ and that ‘since this 1s an area in which no sovereign government can make these determinations, some international authority must ultimately do so'

We were, in 1970, clearly heading towards some form of world government,

and Kennan, the father of the Cold War between the US and the USSR, suggested a multilateral treaty or conventon with an instrument of enforcement managed by ‘true international servants with ‘dedication to the work at hand

Sadly, Nixon's scheme was not regarded as a huge success for two decades after Earth Day had been founded, one of the originators, Dennis Hayes, commented that 'Twenty years after Earth Day, those of us who set out to change the world are poised on the threshold of utter failure ' And Ken Weiner, who was Jummy Carter’s Deputy Director of the Council for Environmental Quahty said ‘It has been said war is too important to be left to the generals Some are wondering if environmental quality is too mportant to be left to the environmentalists '

Not that this mattered much.
The seeds had been planted And we were moving steadily towards the Great

Reset

1971
By 1971, America was spending so much on its mihtary adventures that Nixon abandoned the hnk between gold and the US dollar Prior to this date, countries had been able to convert $35 worth of dollars mto an ounce of gold De-lnking dollar from the gold opened the way for dollar hegemony America became the world’s banker Amenica could print doliars all day long and use them to buy anything 1t wanted

The neohberals have, since then, used the dollar ruthiessly, buying land, mnerals, public mfrastructure, pubhc companies, housing and goods with money they produced without restriction

When America didn't need to hold enough gold to cover their dollars, the printing presses could run 24 hours a day And eventually, of course, the Federal Reserve didn’t even bother ta have money printed It just manufactured another few billion doHars out of thin air

1971

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1971 was also the year when a Professor B FSkanner published a book called Beyond Freedom and Dignity (Dr Skanner’s work on the book was paid for with a $283,000 grant from the US Government's National Institute of Mental Health) Skinner, a soctal scientist, argued that if the world is to save any part of its resources for the future, it must reduce not only consumption but the number of consumers

The reviewer for Time magazine pointed out that Skanner’s message was that ‘we can no longer afford freedom, and so 1t must be replaced with control over man, his conduct and his culture This thesis, proposed notby a writer of science fiction but by a man of science raises the spectre of a 1984 Orweilian society that mught really come to pass’

Skmner attacked individual freedom and dignity and predicted that Western culture might be replaced with the more disciplined culture of the Soviet Union or China 'If you insist that individual nghts are the surmmum bonum' then the whole structure of society falls down'

The frighten:ng thing 1s that Skinner's arguments and predictions were (and are) taken 1mmensely senously And his work is now revered by the globahsts who want to reduce the world population by billions and to take total control of every aspect of our lives

1971
The World Economic Forum (pompously and arrogantly announced as 'Commut ted to Improving the State of the World') was set up in 1971 by a man called Klaus Schwab, though the organisation wasn't called that then When Schwab began what was to become the WEF he had an endowment of just 25,000 Swiss francs in a bank account

The first Davos meeting of what was then called the European Management Symposium, lasted two weeks and involved 450 participants, including chief ex ecutives and senior managers from top compamies and 50 faculty members from business schools

Things then moved quickly
The chairman of the second Davos meeting was supposed to be Herman] Abs

who had to cancel at the last minute but this link gives us a clear msight into the background of the WEF

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As Zima Cohen explaims m her book The Shocking History of the EU, Abs was a bank director who helped Hitler enormously by forcibly purchasing Jewish banks atlow pnces The money was then used to build the Nazi war machine

During the Second World War, Abs was a member of a secret group formed in 1943 and known as the Committee for Foreign Econorme Affarrs - a group of bankers and businessmen who met to discuss Germany's future after the end of the War

After the War, a friend of his, Charles Gunston of the Bank of England, asked Abs to help rebuild German banking - though Abs had been arrested as a war criminal and sentenced to death in his absence Gunston worked for the Bank of England as the manager of the German desk and was a semor official in the Bntish occupational authority after the War Gunston cared nothing about the atrocities perpetrated by the Nazis All he wanted to do was to help rebuild the German banks To this end he recruited Abs who was high on a list of Nazi officials wanted for war crimes Gunston protected Abs to help Germany rebuild its banking systern ready to continue Hitler's work Thanks to help from his friends at the Bank of England, Abs was not executed or even impnsoned, and by 1948, he was deputy head of the Reconstruction Loan Corporation and President of the Bank Deutsche Lander Unbehevably, it was then Abs who decided which Ger-

man companies should recetve the billions of doliars provided as Marshall Aid And for decades afterwards, Abs had a powerful role in Germany He was one of a number of former Nazis who helped create the orgamsation which became the European Union. (For more details of how the European Union was created please read The Shocking History of the EW' by Zina Cohen)

Until the mid-1990s, Abs was chairman of the Deutsche Bank and his Nazi background wasignored The Independent, a British newspaper, described Abs as the outstanding German banker of his ime and quietly ignored his work with IG Farben and Kontinentai-Ol, where he had knowimgly employed slave labour in the concentration camps Nor did they mention the money he had helped steal from Jewish people and banks. And this was the man Schwab asked to chair the second Davos meeting of his new organisation It has frequently been rumoured that Schwab's father was a Nazi who was an associate of Hitler but, of course, the fact checkers deny this

The honorary sponsor of the third Davos meeting 1n 1973 was Prince Bern hard of the Netherlands (a former Nazi and the founder of the Bilderberger meetings) and the Commission of the European Communities 'renewed its pa-

tronage' An Italran industnalist dehvered a speech summansing The Limits of Growth, a book that had been commissioned by the Club of Rome and published in 1972 Participants drafted a code of ethics based on Klaus Schwab's stake- holder concept

It was clear early on that the WEF was very close to the European Commission ofthe EU with two meetings held at the European Commission in Brussels

Today, the WEF desertbes itself as a public terest not for profit orgamisation based in Switzerland [t has offices im New York (USA), San Francisco (USA), Tokyo (Japan), Mumbai (India) and Beyjing (China) In 2022 the WEF reported an meome of 383,000,000 Swiss francs in fees and other funding Out of this 130 mullion Swiss francs was spent on staff, with Schwab himself reportedly bemg paid more than $1,000,000 a year (plus, allegedly, rewards from associated com panies Around 252 mithon Swiss francs was spenton office and activity' (Itis interesting that many of those working with the consprrators in some way have become extraordinarily wealthy Tony Blatr, for example, was a modestly paid politician for most of his working hfe but is now a multitzmilhonaire The staff of environmental and green charities are often enormousiy well-paid and enjoy first class travel around the world) The WEF does not pay any federal taxes

An organisation which, just a dozen years ago was regarded as having no influence and was known merely as the organiser of an annual shindig where virtue signalling celebrities such as pop star Bono (famous to many for his tax avoidance schemes and hypocrisy) could rub shoulders with pohthaans and in dustnalists eager to be photographed with famous people, and which was not taken seriously by many people, 1s now one of the most powerful bodies 1n the world It has taken over from the far more secretive Bilderbergers as the face (and vorce) of the conspirators

Schwab himself was born in Germany in 1938 and acquired a variety of academic qualifications before founding the WEF 1n 1971 when he was just 33 years-old The WEF was originally called the European Management Forum but changed tts name to the rather grander and more ambitious World Economic Forum in 1987

Just prior to founding the European Management Forum, Schwab had been a member of the Managing Board of a medium sized Swiss manufacturing com pany with which his father appears to have been associated Today the WEF clams to have more than 600 employees but I would describe Schwab as (like

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Charles Ill and Tony Blair) as a fixer and a pimp for the conspirators None of them seems to me to be serious players

There ts no record on the WEF's website of how Schwab acquired the money to set up what 1s described (on its own website) as ‘the foremost global multi-stakeholder organisation’ nor 1s 1t clear how, within three years, his organisation had been able to invite political leaders from around the world to a conference in Davos

In 1971, the same year that he founded the forerunner of the WEF, Schwab wrote a book called Modern Enterprise Management in Mechanical Engineering (it seems unlikely that the royalties from this enabled him to found the WEF) There have been rumours that his mother was related to the Rothschild family and that his father was close to Adolf Hitler but both these suggestions have been dismissed by fact checkers (though we should remember that fact checkers claimed that the covid vaccine was effective and perfectly safe) In that early book, Schwab argued that the management of a modern enterprise must serve both the shareholders and the corporate stakeholders — with the stakeholders including employees, customers, government, creditors, iocal communities and financiers Schwab has worked with the United Nations for many decades and has advised various UN bodies on sustainable development issues Schwab has warned that there would be much anger in the world as the conspirators’ plans unfolded, and is best known for warning citizens everywhere ‘you will own nothing and be happy’

As an aside, it 1s curious, 1s 1t not, how the phrase ‘you will own nothing and be happy’, which is believed to have onginated with the Worid Economic Forum can be compared to the principles of the communist revolution as described im Karl Marx’s 'Communist Mantfesto’? Marx wrote that in order to establish a socialist dictatorship, and to obtain total control over the proletariat, the communists would have to eliminate ail rights to private property, destroy all re-lion, which Marx famously descnbed as ‘the opiate of the people’ and dissolve the family unit which was seen as a threat to the ability of the State to obtain total contral over people's lives (Today, under the Great Reset, traditional reb-gions will be replaced by a faith in nature as defined by the United Nations and promoted by the consortium of bankers who are managing the global economy Astonishingly, the leaders of traditional religions have accepted the change, and the Pope and the Archbishop of Canterbury seem happy to commit themselves

and their followers to the pseudoscience in preference to the traditional teach-

mings their rehgions have espoused. It doesn’t seem to matter to them that the science of chmate change 1s provably fake, they are wedded to, and happy to influence, the blasphemies promoted by the rabid environmentalists In 2023, a WEF advisor and establishment enthusiast called Yuval Noah Harari claimed that AI could create a new religion and a new bible, thereby making AI the new god This 1s, presumably, the proposed replacement for orthodox, tradihonal relhgnon We already know that Al will bnng an endless encyclopaedia of hes to the internet, now it seems, Al will also bring us a brand new fake rehgion)

Actually, as Gary Ailen and Larry Abraham point out in their excellent book None Dare Call It Conspiracy, which was pubhshedin 1971 the Cormmunist Manifesto was merely an update of the revolutionary plans proposed 70 years earher by Adam Weishaupt, the founder of the Order of IHumuinat: Today we can see the WEF, the Bilderbergers and the other conspirators following the recommendations made by Marx, and previously by the Order of IIluminati

Meetings of the WEF are held annually tn Davos and participants arrive from all over the world (many of them in private jets) to discuss the threat of climate change

Most dangerously, perhaps, the WEF has what it pompously calls a ‘Young Global Leaders Scheme’ which trains ruthless young men and women to be puppets ofthe cabal Many of the graduates get jobs in politics, the green movement, charity management and so on, and Schwab boasts that ‘graduates’ from what might by some be seen as a brainwashing programme can be found in high places everywhere The boast 1s justified and WEF followers can be found in many governments Sunak in the UK, Trudeauin Canada and Macron im France all have links to the WEF

The whole organisation reminds me very much of the Scientology cult though, as a replacement for the Bilderbergers and a promotional organisation for the European Umion and the United Nations, it 1s infinitely more dangerous and it has influence far greater than would seem justfied

1972

The 1970s were a bad time for freedom, and the first meeting of the Trilateral Commission was organised in New York at the estate of David Rockefeller All eight American representatives at the founding members were, unsurpnisingly, members of the Council on Foreign Relations, and the purpose of the Tnilat eral Commission was officially stated as bringing together representatives from

North Amenca, Western Europe and Japan to umprove the chances of a smooth and peaceful evolution of the globalsystem At least they didn’t hide the purpose

of the organisation

David Rockefeller first floated the idea of the Trilateral Commission at a meeting of the Bilderberg Group where it proved extremely popular

The formation of the Tnlateral Commission had been foreseen by Zbigniew Brzezinsk:, President Jummy Carter's National Secunty Chief who had argued that a world government would probably require two overlapping phases Part one would involve the United States, Western Europe and Japan forging a community with other advanced countries such as Israel, Mexico and Austraha Part two would extend the inks to communist nations

1972
The United Nations Educational, Scientific, and Cultural Organisation (UNESCO) setup the World Herttage Treaty in 1972 The WHT had a committee, of course, and listed procedures for hsting cultural 'heritage' sttes around the world The WHT called for cooperation with 'international and national governmental and non-governmental orgamsations (NGOs') As a result of this new organisation's formation, nations around the world suddenly reported that the official 'heritage' sites and local citizens were encouraged to believe that having an area designated a 'heritage site' was an honour to be cherished Huge areas of land were designated 'heritage' sites with, for example, almost half of New Zealand's South Island bering hsted as a world heritage site Huge tracts of land around the world are now so designated

Once a piece of land 1s hsted asa world heritage site, ail local farmers, ranchers and loggers can be excluded, and all development must be stopped with UNESCO effectively acquiring ownership rights

World hentage sites were set up as a first step towards re-wilding huge areas of the world

1974
In an article entitled The Hard Road to World Order which appeared in Foreign Affairs (the house journal of the very powerful Council of Foreign Relations) Richard Gardner wrote that '1f instant world government, (UN) Charter review and a greatly strengthened International! Court are not acceptable to the people, what hope for progress is there?'

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Gardner suggested the following ways to get nd of national sovereignty A reform of the international monetary system, a rewriting of the ground nules of international trade, subjecting all countries to international surveillance, a steady increase in the resources of agencies such as the World Bank, giving them more power over economic polictes, continued strengthening of the global and re gional authorities charged with protecting the world's environment, population policres designed to achieve zero population growth, a control of food supphes, a new international control of the world's oceans, new rules and institutions to regulate emerging communications technologtes, a limit ta conventional weapons and increasing use of UN forces to patrol and supervise

1976
You might be surprised to hear that re-wilding 1s not a new concept The World Wilderness Congress, which began in 1976 claims that it is the ‘longest running, public environmental forum to build awareness and support for wilderness’ They claim to have mitrated the process that led to the World Bank’s Global Environmental Faculty

When the Fourth World Wilderness Congress met in 1987, delegates were probably dehghted ta find that the Denver Declaration for Worldwide Conservation had been prepared for them The founder of the WWC announced that the declaration was the ‘new Magna Carta’

Within a few years, the American Congress had authorised spending over $1 bilhon a year on purchasing private taxpayers’ property — and locking 1t away so that no one could waste 1t by building homes, farms, shops, schools, hospitals or factories on it Injusteleven American states there were already 86 mullion acres of wilderness and 133 million more acres were already designated for inclusion

In Austraha and Brazil, areas of land designated as suitable to be classified as

‘wilderness’ were measured in square miles Over 12 billion acres of land was designated as wilderness areas

It Was at this Congress that 1t was revealed that United Nations agencies, aid agencies and private NGOs had put together a massive surveillance database called the ‘World Wilderness Inventory’ The database had been put together by the Sterra Club (a private organisation which was founded in 1892 and 1s described as an ‘environmental orgamsation’)

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Among those attending World Wilderness meetings have been David Rockefeller of Chase Manhattan bank and Baron Edmund de Rothschild of the Roth schild banking family

And, you won't be surprised to hear that a World Conservation Bank was proposed to act as an intermediary between developing countries and private banks Debts and loans would be cooked up and huge areas of land would be transferred to the World Conservation Bank In other words, the World Conservation Bank would buy loans from developing countries and those countries would collateralise their loans with areas of land which could be designated as wilderness If the debtor failed to meet their obligations, the WCB and its stockholders would end up owning vast areas of land together with the oul, mimerals and other goodies underneath the land

The world’s biggest and most powerful bankers, the Estabhshment pushing for the New World Order, had been generous enough to find a'green way totake ownership of 30% of the world’s uncultivated land mass So, to give just one example, Madagascar’s Government swapped thousands of acres of its own land for over $2 milhon worth of bad debt

How wonderfully kand and unselfish of the bankers
And how very simple
You just get a country into debt (by lending therm money they can’t possibly

pay back) and then you allow them to swap the debt for huge quantities of land — preferably wild land with lots of valuable goodies hidden underneath the surface

Governments, NGOs, banks, Green pohtical parties on the fnnge of power and tax exernpt foundations had come together to enable very rich and powerful people to take ownership of vast areas of the world’s landmass

Naturally, President Gorbachev of the USSR thought it a splendid idea The Soviet Union favours a substantive discussion of ways to settle the debt crisis at multilateral forums,’ he said ‘including consultations under the auspices of the United Nations, among heads of governments of debtor and creditor countnes ’

Are you now beginning to see how everything fits together?
Oh, and you may or may not have guessed that the people proposing that vast

areas of land be classified as ‘wilderness’ (and not used for building or farming) just happen to be the same people who clam that the earth 1s vastly overpopu-lated

And there’s something else

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Do you remember the film Goldjfinger 1n which the baddie (Mr Goldfinger) wanted to destroy the value of Amenca’s gold so that the value of HIS gold would soar in Value? Well, you may see the similarity here with what the banks were planning Ifthey control wilderness areas which are rich tn. oil and minerals they don't have to do anything at a!l with the land to increase the value of their own holdings Its the Goldfinger principle By taking oil and minerals out of circuta-tion the value of their own holdings wull rocket

1989
The New York Times (for many years a propaganda sheet for the globalists and conspirators) reported in 1989 that Margaret Thatcher (then the Brinsh Pnme Ministerjhad warned that global warming could cause devastating floods and food shortages, though there was no evidence (scientific or otherwise) for this prediction Mrs Thatcher called upon the United Nations to complete, by 1992, a treaty that would require action towards stabilising the world’s climate and she told the General Assembly of the UN that the treaty should be supplemented by specific, binding agreements regulating the production of gases that trap heat in the atmosphere Mrs Thatcher added that the restrictions would have to be ‘obligatory and their applications carefully monitored’

Mrs Thatcher was effectively repeating the strategy that had been outlined by George Kennan in an article which had appeared in the journal Foreign Affairs in 1970

There was no evidence for the clam in 1970, there was no evidence for the claim in 1989 and there is no evidence for the claam now

1990
The prediction that :t would take a generation to a generation and a half for environmental pollution to be a useful weapon with which to scare the pubhc appears to have been pretty accurate for m 1990, at a conference entitled ‘Globe ’90', the Seattle Post Intelhgencer reported that the former Norwegian pnme Minister Gro Harlem Brundtland had told the audience that ‘Environmental destruction 1s a ‘ticking time bomb’ that poses a more absolute threat to human survival than nuclear annihuation during the Cold War’

There was no evidence whatsoever for this absurd clam.

1991

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The USSR fell apart mn 1991 after America had won the Cold War The year before that the World Bank and the IMF had laid out a plan to force Russia’s leaders to Impose austerity on their people and to give away the nation’s assets President Gorbachev naively trusted the US Government and accepted America’s offer to help the Soviets privatise thetr economy so that money could be available to in vest in the country

President Bush promused Gorbachev that NATO would not move eastwards if Russia agreed to let East and West Germany integrate However, when Clinton became President he reneged on the deal, broke America’s promise and simply reminded Gorbachev that he didn’t have a deal in writing. (Michael Hudson, in his book Destiny of Civiltsation points out that breaking promises and treaties has been American policy since the nation's birth, ‘as shown by its dozens of broken treaties with Native Amencan tnbes in the 19th century down to its with drawal from the Joint Comprehensive Plan of Action with Iran in today’s world’)

The result of Gorbachev's action was that a favoured few Russian kleptocrats registered public assets 1n their own names, sold shares to foreign banks and became immensely rich overnight

America became angry when President Putin ended the giveaways, and treated Mikhail Khodorkovsky as a hero for accumulating a fortune of $15 billion by buying privatisation vouchers and helping himself to oi] reserves in Siberia, (Most of the other oligarchs moved to the West, bought huge properties, yachts and football clubs)

Western investors who were in the know made bilhons by mvestimg in the former public assets Gncluding, inevitably, oil compames) Naturally, they paid no taxes

Nationa! Secunty Advisor Brzezinski boasted that Russia had passed into de facto Western receivership’

Gorbachev, the darling of the West, who had overseen this massive give away, didn’t last long

And when President Putin was democratically elected and tried to stop the foreign investors from helping themselves to his country’s weaith (and then sending it abroad as dividends, interest and capital) the Americans were furious

While the Warsaw bloc countries were weakened by what had happened, the United States (and their pet NATO) expanded Officials rernforced their view that the US alone had the right to use nuclear weapons first and that the US alone had the right to use mulltary force unilaterally President Clinton’s administration

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announced that 1t no longer felt bound by the UN Charter prohibiting the threat oruse of force And the US announced that it had the sole right to use force to ensure ‘uninhibited access to key markets, energy supplies and strategic resources’

(Neither Clinton nor anyone else in the White House seemed interested in the fact that international law defines such behaviour as ‘appression’ and 'the supreme international come’ That, at least, was the view of the judges at Nuremberg.)

The result was a new Cold War with the US and its NATO allies ranged against China and Russia and any countries resisting the theft, by the US, of ther land and resources Everywhere NATO went it left behind huge numbers of bodies, destroyed towns andcountries with no future But every time NATO went some where, Amencan billionaire bankers got much richer

1991
The Trilateral Commission published a book entitled Beyond Interdependence The Meshing of the World’s Economy and the Earth’s Ecology by a Canadian called Jum MacNeill who was general secretary of the World Commission on Environment and Development (which was also known as the Brundtland Commission) The book warmed that the world was coming to an end and that there was a desperate need for a world government

MacNeill argued that it should be at the Rio Earth Summit 1n 1992 that the Establishment should take on the responsibility for the future of mankind

The foreword to the book was written by David Rockefeller who argued (with msider knowledge, of course) that ‘environmental issues are mghtly moving onto the central policy agenda and we all feel the need for a new synthesis’ (Sadly, there was no translation of what he meant in the book)

The introduction was written by Maurice Strong who had been executive secretary of the first eco-summut ‘The 1972 Stockholm Conference on Human Environment’ (If you are beginmng to feel dizzy at the existence of so many organisations with the same general, grandiose purpose you are not alone) Strong argued that decistons must be made that 'will hterally determine the fate of the earth’ and talked of an intermeshing of economic independence and ecological

independence and an intermeshing of the two (The one thing the ego warriors can do, other than hold up traffic and sprinkle coloured chalk dust in an un tating manner, 1s to create an impenetrable and mstantly forgettable phrase or sentence I feel bad about having to include so many of them 1n this book but if

we are to follow the bits of bread 1n the forest we need to learn to read the runes See what I mean?)

What MacNeill was talking about (in the code of the time) was international central planning, a more equitable distribution of wealth, the end of national sovereipnty plobal control of resources, global central planning and a reduction inthe global population If you are beginning to think that this all sounds just a touch I1ke something Karl Marx nught have wntten then you are probably not alone In practice, there is little or no difference between modern environmentalismm, communism and, of course, fascism They are, in practical terms, identicaland interchangeable

MacNeill warned about overpopulation, global warming, deforestation, bio diversity, actd rain, nsing sea levels and overpopulation and also talked about sustatnable development and sustainable growth There was talk of the Earth Summit involving representatives of most governments, hundreds of major industries and thousands of non-governmental organisations - all of course, with axes which needed sharpening — and he talked of the need for environmental taxes, probably to be admumistered by the United Nations (Though the UN staff would probably remam untaxed)

MacNeill demanded an Earth Counei or World Environment and Development Forum to govern earth and look after the ordinary people who can no longer be trusted to have a say in how the world ts run

As usual, the only thing missing from this feast of rhetoric was the presence of any facts There were many warmings and much tub thumping but not a lot else

Sadly, Mr MacNeill is no longer with us though according to the Community Research Connections (which is, so it proudly says, a Sustainable Community Development) he was recipient of many honours, was Chairman of the World Bank’s Independent Inspection Panel and he was a member of far too many pan els and institutes and boards for me to hst here without your eyes glazing over Mr MacNeill is one of a new breed of professional advisors who travel the wortd, sitting on committees and panels and being well-paid to spread anxiety and incomprehensible solutions

Before and after this meeting, President Gorbachev of the USSR published proposals which bore an uncanny resemblance to the proposals which were pub hshed in Rio It's no surprise that as far as the West was concerned, Gorbachev was the most popular President of the USSR for many decades

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In The New York Times in December 1989, Gorbachev was reported to have spoken at the United Nations and said ‘International economy secunty 1s mcon-cewvable unless related not only to the world’s agreement but also the elumina-tion of the threat to the world’s environment Let us also think about setting up within the frarnework of the United Nations acenter for emergency environ mental assistance’

1992

In Rio de Janetro in Brazil in 1992, the United Nations held a massive and now infamous shindig called UNCED which was designed to make environmentalism the world’s most important topic It was here that the UN’s Earth Charter was born and it was here that the UN revealed {to a no doubt excited audience) its plan for the future called Agenda 21 —- an 800-page detailed plan wntten to help the UN and its supporters take over the world and run everything in the name of ‘sustainable development’, with huge costs to be paid by unwitting and probably unwilling taxpayers everywhere

There was also a Global Warming Convention and a Biodiversity Convention The people at the UN (lke ail Greens) love treaties and conventions and decla-rations And they love committees and meetings ~ especially if the meetings are held somewhere pleasant and the expenses are paid by someone else (preferably taxpayers)

The participants at UNCED were largely collaborators working for the con spirators The conspirators themselves (the financiers and bankers who were behind the chmate change fraud) usually prefer to stay behind the scenes, just pulling strings as and when they feel 1t is appropriate or necessary

The plan was simple to form more international institutions of control, to get governments to sign treaties on global warming and to designate the national and international agencies ‘that will bear responsibility for the first phase of implementation, tentatively set for the last seven years of this century’ In other words the aim was to create instability and fear to unsettle the world’s citizens

It was generally agreed that the world wasn a pretty rotten state and that it was possibly either getting too hot or too cold and that whatever was happening was all the fault of people who needed to be pumished This meeting mm Ria was the culmination of the lron Mountain shindig held a generation and a half ear-her The Iron Mountain predictions were bang onthe button, though that wasn't much of a surprise

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With no hard evidence to support their position, the conspirators (and don't forget they founded the United Nations) chose climate change (and environmen-tal problems in general) as a way to terrify populations everywhere, to excuse aperessive plans and to mobilise a growing army of collaborators who could be convinced to demonstrate and form action groups

Since the financiers and conspirators controlled the mamstream medza, it wasn't easy to manipulate the message being fed to viewers and readers everywhere around the world

Greedy megalomamacs had now forced governments everywhere to adopt long-range policies that were based more on science fiction than anything resembling real science Liberal intellectuals, teachers and lecturers absorbed what they were fed and became enthusiastic purveyors of misinformation to thew students

The myth of climate change became integrated into school and college curricula, And the myth was accompanied by the convemient belief that the ‘new’ problem could only be solved by a combination of kindly, caring governments and determined and commutted NGOs A new industry was born with bilhons of dollars to spend on propaganda Dozens of new foundations were founded, mostly led by key insiders and members of the establishment The Sierra Club, the World Wilderness Congress, the Centre for Earth Resource Analysis, the Heritage Trust, the Nature Conservancy, the World Wiidhfe Fund and so on control bilhons of dollars and are all involved in spreading the same message

There were plenty of hes and imaginative graphs and pie charts to excuse the plans forthe world But there was never any evidence

Any teacher who tells children that global warming 1s real 1s guilty of a crime of unimaginable proportions and unimaginable consequences This dangerous propaganda ts nothing more than an unpleasant branch of science fiction and1s destroying the hves of generations

It 1s, of course, impossible to prove that there isn’t any evidence to support the myth of chmate change (nee global warming) But nor is there any evidence to support the lies which are so freely shared And the most convincing proof that they are lying comes in the fact that climate change promoters will not debate thei claims

1993

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Every time there is famine, flood, wildfire or any sort of ‘natural’ problem, anywhere in the world, the chmate change cultists blame the weather More specifi cally and more significantly, they blame man-made climate change

But they are always lying
Let me illustrate how and why they are lying with this very short discussion

of what happened in Somalia in 1993, when the United Nations and the US Mihtary launched ‘Operation Restore Hope' to help a population officially devastated by drought, desertification and civil war

What was not widely reported was that Somalia's problems began in the

1980s Up until that tame, Somalia had been pretty much self-suffictent in food Then the IMF and the World Bank decided that Somaka needed help And, as Ronald Reagan once said, the most dangerous and frightening words 1n the world are ‘I’m from the government and I’m here to help’

The banks decided that Somahan agriculture needed reform and decided to help

Before anyone knew what was happening, Somalia had huge, unpayable debts to Washington based financial mstitutions - particularly the World Bank and the International Monetary Fund. Somaha had been helped into destruction.

Here's what really happened
First, Somalia was told that it needed a ‘structural adjustment programme’
Within a short time, Somalia became dependent upon imported grain andin

order to pay the bills for the imported grain the country had to borrow money
The cheap imports with which Somaha was supplied by the kandly bankers

meant that local farmers couldn't make any money Fanning communities became impoverished

At the same tire the best agricultural land was appropnated by people with links to the Government This land was used for producing frunts, o1l seeds and

cotton which Amenca wanted.
The Somalran currency then collapsed and the pnce of 1mported matenats

rose
The World Bank decided that it could ‘help’ by insisting that farm ammals

should be vaccinated,
Naturally, the vaccines and the vets cost a good deal of money The World

Bank said that ‘vetennarian services are essential for hvestock development’
The Somahans had managed quite well without vaccines for a very long time
(The vaceine ploy has been used widely for many years and is now universal in

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the US, the EU, the UK and elsewhere Farmers who do not have their animals vaccinated are not allowed to sell them Even pet owners are forced to have their annals regularly vaccrnated and micro-chipped.)

Water supplies were then taken over and privatised
The local farmers, nomadic herdsmen couldn't cope and were decimated The

World Bank thought this was a good thing because nomadic farmers in sub-Saharan Afnca were viewed as a cause of environmental degradation

The Sornalians could then not afford the vets or the vaccines and the result was that Somalan cattle exports plummeted Their beef was not vaccinated and therefore not acceptable Instead of buying Somahan beef, their customers bought from supphers in Australian and the European Commumity

The Somalian Government was put under stnet controls by the IMF and tight budget targets were set by IMF ‘experts’

The banks then provided aid
Unfortunately, the help wasn’t provided as money or equipment but as food

The Government couldn’t give the food to the people but had to sell the foodin order to raise money to pay the foreign banks

The outside banks then took control of the country
The economic changes meant that health and education programmes col-

lapsed School enrolment collapsed, school buildings deteriorated, school materials could not be bought and then schools simply closed And thanks to the intervention from the banks, wages collapsed by about 90% The World Bank then took over the civil service Public expenditure was tightened

By 1989, Somaha had to find 194 6% of Its export earnings to cover its debts
The country was effectively owned by the US controlled banks

And when the people of Somalia started to starve to death because they weren't growing any food and couldn't afford to import any food, the US con trolled IMF and World Bank very kindly stepped in with more aid and more Ioans and more debt

Actually, of course, the money for those loans comes from Wall Street Banks
And it is the banks which hold the debts

Within less than a decade and a half the US controlled banks had effectively taken ownership of Somaha and all its resources

And naturally the owners of those banks, the conspirators who are pushing for a Great Reset and a World Government, blamed chmate change

Exactly the same thing has happened all over the world

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The American bankers use the power of the dollar and the world's agencies to explont and steal They overthrow any leaders who dare to stand up to them They used armed force (provided by the Amencan government) to install complrant dictators and then claim that the oligarchies they have created are evidence of westermised democracy They force foreign countries to keep their central bank savings in the form of loans to the US Treasury so that none of their ‘nvestments' costs them a penny

American neoltberals working with and for the banks have mastered the art of turning public enterprises and honest, simple utilities into interest paying financial vehicles And when they have created a large debt, they appropriate that country’s land and resources and keep them for themselves The American taxpayers underwmite the threvery but it is the Amencan oligarchs who benefit And this has been going on since the 1980s Today, a tny number of Americans (bankers, financiers and property dealers) now possess more wealth than the whole of the middle class

The enthusiastic climate change nutters are merely aiding and abetting global genocide and the end of freedom and whatever remains of democracy

If you don't beheve that the US would do such things please do a little research of your own into precisely what happened in Somalha

Or, indeed, in any other country which has been allegedly devastated by ch-mate change

And take a look, for example, at the way the IMF forced Thailand and South Korea to allow more foreign ownership of their economies and how, as a result, American companies ended up owning key sectors in those countnes

1994

In 1994, the United Nations Framework Convention on Chmate Change came mto being with the aim of preventing ‘dangerous’ human interference with the chmate system (This 1s odd wordmg since there are currently numerous attempts being made to interfere with the climate So, for example, one enormously dangerous, even insane, plan is the one which involves spraying substances into the air in order to stop the sun’s rays hitting earth }

Today, most reputable scientists accept that manmade chmate change 1s a myth and that the whole chmate change movement 1s based on fraudulent evidence Back in 1994, there wasn’t even any fake evidence available The UN created its Convention on Climate Change on little morethana whim ‘The objec-

tive was to stabilise greenhouse gas concentrations to enable economic development to proceed in a sustarnable manner’

Countries which were deemed to have contnbuted most to the alleged problem were expected to reduce their emissions ta 1990 levels though there was never any screntific evidence that this was practical or even a good idea

The UNFCCC 1s one of three conventions brought into being at the Rio Earth Summut in 1992 (the other two were the UN Convention on Biological Diversity and the Convention to Combat Desertification) and the UN reports (1n its usual pompous and meaningless wey) that tt was 'in this context that the Jomt Liaison Group was set up to boost cooperation among the three Conventions, with the ultimate arm of developing synergies in their activities on issues of mutual concern’

The United Nations does not hke to trouble itself with boring science or with dull evidence, and especially doesn't like to trouble itself with scientific facts, 1t prefers to concentrate on creating ‘conventions’, having very expenstve conferences and forming Laison groups The UN is all about laws and rhetoric and get ting other people to dothmegs

2005
New Zealand, Chile, Brune: and Stngapore created the Trans-Pacific Partnership in2005 The partnership was a mutual trade agreement

In 2008, the United States decided to take over the TPP and the Obama admin istration sponsored lobbyists to transform the TPP mnto an agreement designed to block the public regulation of health, the environment, or other pubhe interest problerns that might interfere with corporate profits ~ namely American corporate profits Once again, Obama protected the big international compamies and the bankers and punished the people who had been foolish enough to vote for him

Obama's bailouts made the crooks ever ncher and impovenshed still further the poor and the middle classes The destruction of the middle classes and the poor is a deliberate neoliberal policy, in the same way that the destruction of Third World economies is a deliberate policy

The American version of the TPP gave power to a new court (an Investor State Dispute Settlement court) which could stop governments from suing companies and investors who had caused damage Worse sull, ISDS tibunals could order governments to pay fines to foretgn companies which felt that pubhe regula-

toons had impaired therr profits The tnbunals could order a government to pay a company any amount it liked, without hmit And so the new court made it possible for bankers and compantes to do what they liked to a country without any penalty Andifa bank or company felt that a country’s labour or safety regulations might damage its profits, it could sue the Government for loss of profits

So, for example, when an Ecuadonan court ordered the oul firm Chevron to pay $9 5 billionin damages for causing pollution, an ISDS tnbunal in The Hague overruled the Ecuadonan Supreme Court To make matters worse the ISDS fined Ecuador $18 billion, plus interest, for cancelling a joint exploration venture with the oil giant Occidental

Small countnes are regularly rumed by these lawsuits which often involve small sums of money for the globalists but huge sums of money for the countries involved

The US Chief Justice, John Roberts has satd that ISDS has the power to review any nation's laws and annul the actions of that country’s legislature, executive and judiciary

The ISDS tribunals (which make the judgements) consist of three pnvate sec

tor lawyers who may also be the lawyers acting for the companies which have brought the legal action So the three lawyers bring a lawstut and then decide who wins And then they decide how much money the country should pay, in dollars, for daring to violate American corporate rights

It is, by any definition, nothing more than a racket and just as bad, if not worse, than anythmg concerved by the Cosa Nostra

Bankers and companies can even sue for what they claim are potential future

profits
All this sounds hke something out of a bizarre piece of fiction But itisn't It's

all true
Oh, and one other thing all this pro-Amencan legislation (much of it dealt

with in secret) means that consumers have absolutely no way of knowing whether the food which they eat has been genetically modified, grown with hormones, treated with chemicals or anything else

The conspirators behind all this can do what they damned well like And no one can stop them

And it is worth remembening that these laws were mtroduced by the Obama Administration which was ruthlessly pro corporate And nothing has changed
In 2021, President-elect Joe Biden wrote in Foreign Affairs magazine that his

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mecomung 'foreign policy agenda will place the United States at the head of the table"

Thanks to the neoliberals all rnternational law is now drawn up by corporate lobbyists employed by the conspirators working towards the Great Reset

2007
The American housing bubble and subsequent financial collapse, didn't happen by accident, Banks deliberately pushed house prices to unsustainable levels and, in order to find a constant stream of 'greater fools' to keep buying overpriced properties, the banks offered 100% loans with no down payment Hundreds of thousands of dollars were loaned to what were calied NINJA buyers —they had no mcome, no job and no assets Mortgages were mven to unemployed black and Hispanic munonty borrowers who had no way of paying back the interest When the inevitable happened, President Obama {a long established 'insidet') refused to prosecute the banks who falsified income statements and provided false property appraisals Instead Obama bailed out the big banks with taxpayers' money - thereby making the bankers at the big stitutions a great deal mcher The bankers used the huge loans they were given not to help their customers but to pay themselves huge and utterly unjustifiable bonuses The losers were the millions of famihes and individuals who had trusted the banks Many of them went

bankrupt as their homes were taken from them Homeownership fell as private equity companies set up by financiers bought foreclosed properties at distressed prices and then rented them out at huge profits None of this could have hap pened without Obama, who was rewarding his Wall Street campaign contnbu-tors The home owners were not allowed to have their mortgages written down to the ‘distressed sale’ prices Only the banks benefited from the bailouts The black and Hispanics who lost everything had been the major supporters of Obama in the Presidential elections The 2007 8 housing collapse was a class war with ractal and ethnic overtones And Obama, the man millions had trusted, had shown himself to be on the side of the rich, white, mostly Jewish bankers In his autobrography A Promised Land (for which he received a huge advance pay-ment) Obama sard he worried that ‘stretching the definition of criminal statues to prosecute banking executives’ would have ‘required a violence to the social or-der’ Michael Hudson, the author of Destiny of Crvilisation points out that ‘The refusal of President Obama and his Department of Justice to prosecute show the degree to which the distinction between rent-seeking and outright fraud and

financial crrme has been thoroughly erased by Wall Street's regulatory capture not only of the Federal Reserve and Treasury but of the Executive Branch of gov-ernment itself’

It is worth pointing out that there appears to be a revolving door between the big banks and the American Government with numerous individuals frequently moving to and fro without there apparently being any thought that this mmght be mn some way compromising Actually, of course, symular revolving doors con-nect the big American banks, particularly Goldman Sachs, and other Govern-ments The British Government has for some years appeared to be an outpost of Goldman Sachs

The resulting depression which Obama created meant that the economy shrank and public sector budgets collapsed Government at local, state and fed-eral levels had to cut back social spending and cut pension commitment In order to cut costs and raise money, government at all three levels sold public land and natural resources as well as basic infrastructure in order to pay back money owed to the banks Interest rates fell to zero or thereabout foranyone who had savings but banks and credit card compames charged thigh interest rates with the average credit card owner paying 29% interest Workers were squeezed by the rising cost of their debts And after the junk mortgage crash, the Federal Reserve created trillions of dollars (out of nothing) to bail out the banks that had bad loans The banks didn’t use the money to help their customers but they used the money to give themselves huge bonuses to celebrate their failure

The financtal troubles that had started im Amenca (thanks entirely to Pres dent Obama and the neoliberals) quickly spread around the world and in order to ‘help’ struggling countnes, the IMF introduced austerity programmes In coun-tries every where, governments were given ‘loans’ and local taxpayers had to pay them back Wages, hymg standards and currency values all fell The American banks used the power of the dollar to ensure that they continued to make huge amounts of money

2011
In 2011, the US, Britain and France launched a NATO attack on Libya They captured, tortured and iniled Colonel Gaddafi and then destroyed Libya The country's gold reserves were stolen and the US Secretary of State, Hillary Clinton, gave Libya's arms to ISIS fighters so that they could attack Syma and Lrag

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The arm was to prevent those countnes from using their own oil to develop and grow stronger

NATO attacked Libya because Colonel Gaddafi wanted to seek independence from America's control of Libyan ot] He wanted to use his country's onl to develop a proper educational systern and a national social-welfare system. More dangerously for the US he wanted to create a gold backed African currency, throw out Amencan multary bases and obtain loans for construction from China instead of the World Bank Libya had the highest standard of living in Africa and Gaddafi was sharing the revenue from ol sales with the country's citizens

All that was more than enough to enrage the globalists who could see their power and influence waning and their control of the oul, and the money, disap pearing

And so Gaddafi was demonised and killed and his country 'captured', sacked and left im ruins Today, thanks ta America tn general and Hillary Clinton in particular, Libya 1s a wild country where slaves are sold in open air markets

2017
President Trump insisted in 2017, and then again in 2018, that the US hada right to take oil from Iraq and from Syria The reason, he said, was that the oil would be payment for the cost of America having attacked those countries In 2020, Tump repeated that America had the nght to take the natural resources of any country that it attacked, as compensation forthe cost of the attack -— with ab solutely no reparations

America also attacked Venezuela, attempting (and failing) to depose President Maduro, and then persuading its NATO allies to impose sanctions on the country to disrupt the country's economy When Venezuela wanted to use its gold to pay for food and medicine which the people needed, Bntain (which was holding the country's reserves at the Bank of England and which had consistently sided with America in imposing sanctions on Venezuela) simply seized the gold and heid it until the American government decided who to make President of the country
In a quite extraordinary judgement, a British high court judge said thatit would be ulegal to give Venezuela's gold to the elected President Maduro because the British Government didn't recognise him and wanted to make his political nval the President

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Much the same thing has happened almost everywhere in the world where there are supphes of oil, gas or valuable minerals And itis these offensive actions, conducted by neohberais fighting against democracy and freedom, which explain why America has been continuously at war since the 1940s and has attacked, interfered with or invaded over 200 countries since the end of the

Second World War Neohberals see democratic laws as intruding on ther hberty, and neoliberals do not beheve in holding corporations hable for the damage that they cause The trigger, of course, has often been oil and gas

Today, o1l and gas still remaim vital for aimost all human activities and America likes to keep control of the supply And so, America put sanctions on European compamies which were helping to bwild Russia’s Nord Stream 2 gas pipeline Germany offered to build port facilities to import US Liquefied natural gas (at higher prices) but America still wasn’t satisfied The US was determined to stop the Nord Stream 2 pipeline and, therefore, to ensure that Europe had to buy American gas

The war between Russta and Ukraine provided the US with a convenient opportunity to blow up the pipeline so that American ou and gas compames would once again control the supply of gas to Europe The mainstream media claim that Russia blew up tts own pipeline (when if it had wanted to stop the flow of gas all it had todo was turn off the tap) but itis generally understood outside the mainstream media that the Americans blew up the pipeline in order to preserve then own massively profitable sale of gas to European countnes — even though this meant that European consumers had to pay vastly inflated pnees for the heating, their fuel and, ultimately, theirfood The mgh costs of fuet in Europein 2022 and onwards were a direct result of American, not Russian, actions

In the UK, the Government has punished its own electors by umilaterally 1mposing special taxes and conditons on oil and gas compames working the North Sea This was allegedly done to help Britain reach net zero as quickly as possible

The evidence shows conclusively that neohberals run the world, which 1s now controlled by a new breed of individuals who have managed to meld communism and fascism with self-interest

2018

It was in 2018 that a young Swedish girl called Greta Thunberg first began to attract publicity for her views on global warming It seemed to me then (and seems even more so now) that she had simply been selected as a promotional tool by

the conspirators Itis difficult for truth-telers to attack a young girl (particularly one with a form of autism) who seems to believe in her message And itis obvi ously difficult for crities to argue with a girl, however rude she might be, when she appears to have some sort of mental illness For the conspirators, Greta also had the advantage of being quite small and unhkely to grow too tall too quickly The one certainty in my mind 1s that Greta's mse to international fame didn't happen by accident or without a great deal of planning Sadly, Greta Thunberg’s

claims have caused much needless anxiety and despair among children around the world

A short book entitled Greta's Homework by Zina Cohen analyses and destroys the nonsense of chmate change

2020
The 1dea of the 15 minute erty (or, as it is also called, the 20 minute city) first really came to global prominence in 2020 when the socialist mayor of Pans announced a plan to introduce the concept to the French capital

The idea of the 15 minute city 1s that all daily necessities such as accommoda tion, food, shops, work, education, health care and leisure can be found within an area where everyone can get everywhere (on foot or by bicycle} within 15 minutes

Within months, cities and towns all] over the world were announcing that they would become 15 minute cities and that motorised traffic would be stnictly controlled or even banned. Residents m 15 minute cities were told that they would only be allowed out of their area on a limited number of days a year Road blocks, either manned or equipped with barriers would ensure that citizens obeyed the laws, and a plethora of CCTV cameras would help maintain diseipline and ensure obedience

It was claimed that the 15 (or 20) minute cites would help cut down travel and would, therefore, help deal with the maginary threat of chmate change

According to a report from 'ARUP C40 Cities and University of Leeds' entitled The Future of Urban Consumption, the 'arnbitious' target for the year 2030 is for individuals to eat no meat and no dairy produce and to have no household food waste And the 'ambitious' target for the year 2030 1s for each individual to purchase only three new clothing items per year 1 wonder how many people realise that these targets have been proposed and what the consequences will be for industry (both manufacturing and retail) What about growing children and

shimmers? Do they have to wait a year for a new pair of trousers? [f you buy a shit, a dress and a sock do you have to wait until the following year to buy the other sock?

Oh, and the plan is that there will no private vehicles whatsoever and individuals will be allowed one short haul return flight (less than 1500 km) every three

years Laptops and similar electronic devices will be expected to last seven years Good luck with that

None of this proposal was decided democratically None of this was put to the yote I'd like to think that no one takes this stuff senously but I know they do This ts the future that is planned for us

2020-2023
Early in 2020, governments around the world claimed that humans everywhere were threatened by a new version of the plague I dealt with this fake threat in a book called Coming Apocalypse which was published in April 2020- just weeks after the fake scare had begun (I dealt with the fake pandernic and its consequences in a series of books which are hsted m the bibliography at the back of this book)

Dunng 2020, 2021 and 2022 and 2023, I repeatedly challenged the proponents of the covid-19 vaccine to debate the vacctne’s qualities in public I had published evidence warning that the so-called vaccine cold cause heart attacks, blood clots, myocarditis and rmmune system problems 1n the autumn of 2020 — before the vaccine roll out began. | explained that I would prove that the vaccine did not do what it was said to do, that it was incredibly dangerous and would be responsible for more deaths than would be saved

Absurd figures were released suggesting that the covid-19 vaccine’ had saved millions of lives but no one ever attempted to provide any evidence to support this wild conjecture [have been writing and broadcasting about vaccmes probably longer than anyone alive but no one would debate with me | am not surprised Whenever it is considered inconvenient, which 1s most of the time, the truth must be suppressed and the truth-tellers must be oppressed and silenced

Although they have never been shown to be safe nor effective, and what evidence 1s available shows that they do far more harm than good (my book Any one who tells you vaccines are safe and effective is bing here's the proof contams shocking statistical evidence about heavily promoted vaccines such as those for

polio and smallpox) vaccination programmes are promoted heavily for a number of reasons they can be used to force compliance, they make huge amounts of money for the pharmaceutical tndustry, they can be used to cull populations, they can be used to tnduce infertility 1n future generations and they enable governments to 'prove’ that they are caring people, deeply concerned for the welfare ofthe public

It 1s no exaggerahon to say that, throughout the world, vaccinahon programmes have been weapontsed’ Vaccines are not treatments, they are methods of control and destruction

(As an aside, itis worth mentioning that vaccines, like other drugs, are often promoted on the basis of experrments performed on animals However, such expertments are entirely worthless and are used because, not 1m spite of, the fact that they are misleading There are two reasons why animal experiments should be abandoned First, such expertments are notoriously unreliable and give misleading results more than they provide useful results If you don’t know which experiments are misleading then all experiments are worthless Second, the drugs industry itself will dismiss unfavourable results on the basis that ammais are so different to humans that tests done on animals are utterly unreliable My

book Betrayal of Trust contains the names and details of fifty pharmaceutical products which are known to cause serious problems when given to animals but which were approved for human use on the grounds that animal experiments are worthless And yet new products, such as vaccines, are given approval at least partly on the basis that anumal experiments were conducted)

When the BBC in the UK founded a special umt called Venfy to act as a sort of fact checking unit, I challenged the entire Verify Team to a hve television debate about covid-19 and the covid-19 'vaccine’

Naturally, I heard nothing

Exactly the same thing that had happened in 2007 8, happened again in 2020-2022 dunng the fake covid pandemic

The pattern has now become quite simple and straightforward. It is the same basic pohcy that the Americans used to destroy Russia (and help themselves to all the money) after the debacle of 1991

As local economies are forced to collapse and fall into recession, politicians and bankers move in. Aided and abetted by the LMF and the World Bank, they offer loans at usurious interest rates and take over planning rules, land owner ship and valuable resources

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The result of the 2020 2023 fake pandemic was that the American banks and financiers got much mcher and the rest of the world (especially hard-worlong, decent people) got much poorer

And, of course, the take-over of the world by the unscrupulous and greedy banking elite has spread into all areas of life

So, for example, small farms and small businesses everywhere are being shut down permanently as government aid and support goes to the huge, often crooked international corporations who have hundreds of lobbyists and can afford to pay bribes to keep politicians happy (When I say ‘bribes’ what I re-ally mean, of course, is that large companies and bankers pay out huge sums in campaign contributions And when politicians retire they variably recerve huge book advance payments that everyone knows will never be paid back out of royalties Oh, and pohticians are regularly paid vastly inflated fees for speaking engagements)

During the fake covid pandemic of 2020 (I have used government figures to prove that the official claims were fake and these are available on my websites and in my videos) pohticians m just about every country seemed to make the same ‘mistakes’ at almost exactly the same time - introducing lockdowns, mask wearing, social distancing and vaccination programmes which all did infinitely more harm than good Politicians now claim that they were merely acting on ‘best advice’ and that if they made mistakes then the mistakes were made in good faith But none of those things were mistakes Despite the appearances

nothing happened as a result of mcompetence, everything happened by design If politicians were merely incompetent it would be reasonable to assume that oc-castonally they would get things mght but they never do Seemingly inexplica-ble and indefenstble domestic and foreign policies in countries around the world were a result of careful planning, overseen by conspirators and put into action by enthusiastic, well-rewarded collaborators Itis absolutely no comcidence that every new government makes the same mistakes as 1ts predecessors And it 1s no accident that every new national and local government asks the people what they want and then ignores the answers

2023

In 2023, the World Health Organisation made it clear that they plan to force everyone on earth to accept a barrage of vaccinations —to be yabbed with a whole

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sequence of jabs which don't do what they are supposed to do but which do hill people, make them infertile and create new illnesses

The World Health Organisatton’s refreshed plan for global dorminance via the needle was slipped out quietly while the mainstream media remains obsessed with the trivial activities of a bunch of Z lst celebrities and minor royals and, oc

castonally, with the latestin a sertes of designer wars created by American con-spirators and ther fnends in NATO

There are people around who still don’t reahse this but the World Health Or-ganisation 1s the terrorst wing of the United Nations, and for the last three years it has spread lies and fear with relentless enthusiasm The WHO's jobs to terrify the public and adapt the truth to suit the needs of the conspirators pushing for global power and a world government

The WHO 1s an essential weapon in the UNs armoury It has nothing whatso ever to do with health but ss a plain and stmple terrorist group and a vital part of the global conspiracy which 1s taking us remorselessly intothe New World Order and dragping us down into the Great Reset

The WHO 1s planning to bung a dangerous and unnecessary programme of compulsory vaccinations -all untested and dangerous Disingenuous as always, they and their jack-booted collaborators will say, of course, that the vaccinations aren’t compulsory and that 1f you don’t want to buy food or electricity, have a bank account, keep a job or leave your home, you won't need a vaccination cer-tificate Of course if you do want to buy food and electncity have ajob, leave your home and generally stay alrve then you'll need all your jabs but as the loathsome Trudeau would probabiy say they won’t be compulsory

They think we're all stupid and the tragedy is that they're nearly right most people are stupid and most people will accept everything they're told by the WHO - an organisation now infamous forits Links with the vaccme hobbyist Bill Gates —a man with close hnks with the cuddly tno of the BBC, The Guardian and

Jeffrey Epstein

In March 2020, over three years ago, I warned that they would introduce compulsory vaccinations If you listen carefully you can still hear the sniggers and the abuse I received at the time Totalitanan regimes have always introduced compulsory vaccination programmes - though they've never before been planned globally and they've always failed 1 also warned about digital money and the rest of the plan

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Today, there 1s no need for any additional evidence proving that vaccines don’t do what they are supposed to do and aren't safe My book Anyone who tells you vaccines are safe and effective ts lymg is packed with information proving that vaccine programmes aren’t safe or effective And in the autumn of 2020, I recorded a series of free videos detailing exactly what problems the covid-19 jab would cause I warned about the heart problems, the clots and the myocarditis months before those problems appeared and before the jabs roll out programme Meanwhile, of course, mainstream media propaganda outfits were telling everyone that the vaccine was safe and effective

The official figures prove that my warnings - the best part of three years ago — were absolutely accurate The Government figures also show that there never was a pandemic and the remarketed over-promoted flu was just a pretty standard flu The so-called vaccine, however, is one of the most toxic pharmaceutical products in history - making thalidomide look good, The sensible folk who said NO to the toxic jab are today the healthiest people left on earth

There 1s now no doubt the covid jab is a killer, fake vaccine — useless but far

more dangerous than depleted uranium shells or cluster bombs Like bombs, rockets and bullets its only conceivable purpose 1s to lal people

The evidence showtng that the over-promoted, over-sold covid-19 jab is the most dangerous pharmaceutical product ever used 1s denied only by fools or shills for the conspirators and the drug industry I have repeatedly warned that the covid jab can and does cause or exacerbate a huge range of serous health problems — mcluding heart disease, clotting problems and cancer And as | warned two and a half years ago the immune system problems caused by the ‘vaccine’ are deadly

The evidence suggesting that the covid vacerne ts toxic is overwhelming and should be banned is constantly growing Any other product known to cause such severe problems would have been taken off the market a long hme ago

A review of 325 autopsies on patents who died after covid vaccination showed that 74% of the deaths were caused by the covid vaccine The nine eminent authors of the relevant medical paper found that the organ systems most likely to be involved in covid jab deaths were cardiovascular system, haematological system and respiratory system The mean time between vaccination to death was 14 3 days A total of 240 deaths out of the 325 deaths were mdepen-

dently adjudicated as directly due to or significantly contributed to by covid 19 vaccinations '

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The nine authors concluded ‘The consistency seen among cases in this review with known covid 19 vaccine adverse effects, their mechanisms and related excess deaths, coupled with autopsy confirmation and physician-led death adjudication, suggests there is a high likelihood of causal hnk between covid-19 vaccines and death in most cases Further urgent investigation 1s required for the purpose of clanfying our findings'

Then there was the paper which appeared in the British Journal of General Practice recently winch showed that 'enlargement of axillary, supraclavicular or cervical lymph nodes following vaccination with covid-19 mRNA vaccines 1s more frequent than initially reported, with a rate reaching up to 16% following the second dose of the Moderna mRNA vaccine' The paper also reported that a few cases of lymphoma were reported in the literature

The authors warned that doctors 1n charge of patients with post vaccination lymphadenopathy should be reminded to consider the possibility of an underlying or corncidental mahgnant disorder

The truth, of course, is that there aren't enough doctors around to check fully

16% of all the patients who have a second dose of that vaccine
The covid jab ts causing one problem after another And the problems are ig-

nored or suppressed by the medical estabhshment
The covid-19 jab is responsible for a surge in type 1 diabetes among children

and teenagers A survey of 38,000 young people (reported in the Journal of the American Medical Association) showed that the mse 1s substantial Overtwo years ago, | warned that this would happen I warned that the covid 19 jab would push up blood sugar levels. The epidemic of type 1 diabetes is caused by the covid 19 vaccine And the drug companies will now get ever ncher selling treatments for diseases the drug companies caused

Everywhere you look there Is evidence proving that the covid jab was a hiler
In less than two and a half years nearly 2,000 healthy athletes have had heart at tacks or sudden serious health problems — with over 1,300 of them dying

And yet the medical establishment, bought with drug company money, still refuses even to contemplate the idea that the deaths may be caused by their beloved vaccine They daren't admit that the medical profession is responsible for thousands of unnecessary deaths because they're terrified of the inevitable lawsuits not to mention the professional embarrassment

Doctors who gave the covid jab without properly assessing the dangers are going to be on the wrong end of the world's most expensive class action lawsuit

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But the vaccines have not been withdrawn No one in the drug companies or the medical establishment is issuing grovelling apologies

Instead, as has happened for over three years now, the doctors who are expasing the dangers of the covid-19 jab are being harassed, banned and censored

Any doctor who still prves the covid jab 1s a dangerous fool who should be struck off the medical register for life and arrested immediately for attempted murder

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Summary SFIS RE EDI CELE!

Look back and 1t 1s clear that America has now been at war with the rest of the world for around 100 years The designer or proxy war against Russia, taking place in Ukraime, followed, almost seamlessly, after the disastrous and damaging war in Afghamistan which was a disaster to start with, a disaster throughout and a disaster at the end Huge numbers of Afghans and Amencans died for absolutely no reason and billions of dollars were wasted As usual, no one has ever been sacked or held accountable

It seems that for the Americans, or rather their political leaders, peace is now just a memory, not even available as an interlude between wars which have become a never-ending opportunity to spend more money on bombs, rockets and depleted uranium shells

Since the end of World War II, Amenca has created seermmngly endless wars artificially based on race, ethnicity, gender, religion or a drive for ‘democracy’, but really about acquiring money, power and control of resources America has become a pirate nation (In the 1990s I wrote two books about Amencan adventures One was called Rogue Natron and the other was called Global! Buily) None of those wars was fought to defend American hves or property, all were fought to give the conspirators greater power and more money All of those wars ended up costing Americans many hives and a great deal of money, all involved the transfer of money from citizens everywhere to the bank accounts and trust funds of the conspirators

NATO and the CIA have been destabilising countnies all over the world for more than half a century ~ paying for terronst help whenever it has seerned useful and appropriate They have, for example, destabilised much of Europe, with the result that atlases and history books are out of date almost before they are printed. One minute one jeader in one country will be in favour and then,

suddenly favours will move to another leader in another country Groups of dissidents are encouraged, financed and armed if they promise to build a better financial relationship with America

It was always inevitable that we would head straight for World War III, amme-diately after Russia was forced to mvade Ukraine, previously descnbed as one of the most corrupt countries on earth Ukrame, remember, has persecuted Chns hans with a relentlessness that would have aroused screams of outrage a few years ago and has an army whose soldiers delight in wearing Nazi insignia.

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America needs to attack and suppress both China and Russia The conspira-tors have chosen to target Russia first but there 1s no doubt the militant conspur-ators in the United States plan to start a war with China

We are being mampulated and controlled by a cabal of well-known politicians and billionaires and taken into a totalitarzan society, with fear being the main dnving force The significance of fear 1n our lives can never be underestimated

While writing thts short book I was sitting in a cafe reading a volume of work by Petrarch and found these lines from Virgil in a piece by him entitled The As-cent of Mount Ventoux

‘Blessed the man whois skilled to understand
The hidden cause of things, who beneath his feet
All fear casts, and death’s relentless doom,
And the howlmegs of greedy Acheron
If the real history of the 20th century and beyond 1s ever written (something

which I arm beginning to doubt) then Obama and the Clintons and their fellow neoliberals will be remembered as the world’s most evil terrorists

It 1s surprising, is 1t not, how many Presidents and Prime Ministers (such as Blair et al) began their terms of office with very little money in the bank, spent therr years in office earmng quite modest salaries (supported in the case of Biden with money paid into his account from Ukraine and China) and then, shortly after the conclusion of thetr term of office, become immensely nch

The money paid to these former Presidents and Prime Ministers is usually handed over as massive advances for autobiographtes that virtually no one will ever want to read or as extraordinarily high speaking fees for making speeches that virtually no one will ever want to listen to The two Clintons were, between them, paid millions of dollars for their memoirs When they were being 1nvesti-gated over corruption charges neither of them could remember anything

The fees pard out to the conspirators and the coliaborators are, of course, payments for services rendered while the individual was in office And the main service rendered has been the creation of fear and the steady progress towards the Great Reset, the New World Order and a world government

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Part Four: Here’s what you can do

The conspirators are taking us into the Great Reset through their control of the mainstream media and much of the mternet - and they have an army of collaborators, bots and secret service operatives working on thew behalf In the UK, a special brigade of the British Army ts employed in spreading misinfor-mation and suppressing the truth And GCHQ, the UK’s spy agency, has been busy suppressing honest, science based comments on the internet if, for exam ple, the authors of those comments ask questions about the covid-19 ‘vaccine’ Even guahfied doctors with sohd evidence to share have been suppressed and censored I wonder how many of those soldiers and spies realise that they are working against their own country and their own countrymen and women -the very people who are paying their wages In America both the CIA and the FBI have mterfered with the freedom of truth-tellers to share vital information

But there are more of us than there are of them and if we are to win then we have to doit by spreading the truth

Please buy and give away copies of this book or lend your copy to others to read Please don’t worry that I'm doing this to getrich Since early 2020 my rep-utation and income have been utterly destroyed and we have put most of our tame into sharing the truth The pnice of this book has been kept as low as we are allowed to make it If we make any money from the sale of this book (which is unlikely) we will use it to buy more copies and spread them around

The problern, of course, is that most people don’t want to know the truth They have been thoroughly brainwashed and they would rather just watch the TV soaps, play with their recycling boxes and find new apps to download onto ther smart phones But we need to persuade more people to open their eyes and to educate themselves in the interests of self-preservation We need to have at least 5% of the population on our side 1f we are to survive, and everyone in that 5% needs to refuse to accept a digital currency or a digital passport and needs to refuse to carry a smart phone full of officially approved apps

So, here's what you can do
Buy copies of this book and give them to everyone you know | have kept the

royalty level as low as possible and I promise that, if I do earn anything from this book, every penny earned will be spent on buying and distributing copies to journaltsts, influencers, ete (I have to buy copies from Amazon just like you do.)

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Appendix 1: A short bibliography

lread hundreds of books, thousands of articles and watched a great many videos

m the research, preparation and writing of this book Below I have hsted a few of the books | found most useful

1984 by George Orwell
A Bigger Problem than Climate Change by Vernon Coleman
Acry from the Far Middle by PJ O'Rourke
Agenda 21 by Ron Taylor
Animal Farm by George Orwell
BBC Brainwashing Britain by David Sedgwick
Behind the Green Mask UN Agenda 21 by Rosa Koire
Black water The nse of the world's most powerful mercenary army by Jeremy Scahill
Blackwater the mse of the world's most powerful mercenary army by Jeremy Scahill
Blind Eye to Murder by Tom Bower
Bloodless Revolution by Vernon Coleman
Brave New World by Aldous Huxley
Chmategate, The Maryyuana Conspiracy, Project Blue Beam by the Dot Connector Library
Coming Apocalypse by Vernon Coleman
Covid-19 Exposing the Lies by Vernon Coleman
Covid 19 The Fraud Continues by Vernon Coleman
Covid 19 The Greatest Hoax in History by Vernon Coleman
Dangerous Ideas by Eric Berkowitz
Destiny of Crviltsation Finance Capitalism, Industrial Capitalisrn or Socialism by Michael Hudson
Dirty Wars The worlds a battlefield by Jeremy Scahill
Dirty Wars The worlds a battlefield by Jeremy Scahull
Dynastic America and those who own it by Henry H Klein
Endgame by Vernon Coleman
Essays on Free Knowledge The Ongins of Wikipedia and the New Politics of Knowledge by Larry Sanger
Everything 1s Going to Get Worse by Vernon Coleman

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Fifteen Decisive Battles of the World by Sir Edward Creasy
Fog Facts by Larry Beinhart
Greta's Homework by Zina Cohen
Hidden Dangers How governments, telecom and electric power utilities sup-press the truth about the known hazards of electro-magnetic field (EMF) radia-

tion by Captain Jerry G Flynn
Hidden Persuaders by Vance Packard
Illuminati Agenda 21 by Dean and Jill Henderson
Living in a Fascist Country by Vernon Coleman
Love among the Ruins by Evelyn Waugh
Nobody Knows Anything by Robert Monarty
None Dare Cali it Conspiracy by Gary Allen with Larry Abraham
Notes on Nationalism by George Orwell
OFPIS by Vernon Coleman

Orwell on Truth by George Orwell
Parhament of Whores by PJ.C'Rourke
Politics and the Enghsh Language by George Orwell
Powershift by Alvin Toffler
Presstitutes Embedded in the Pay of the CIA by Udo Ulfkotte
Say NO to the New World Order by Gary Allen
Scrence, Liberty and Peace by Aldous Huxley
Scrap the BBC by Richard D.North
Shaping the Future of the Fourth Industrial Revolution A Guide to Building a Better World by Klaus Schwab
Social Media Nightmare on Your Street by Vernon Coleman
Sold Out by James Richards
Stuffed! By Vernon Coleman
Technocracy The Hard Road to World Order by Patnck M Wood
The Art of War by Sun Tzu
The Collapse of Antiquity by Michael Hudson
The Creature from Jekyll Island A Second Look at the Federal Reserve by G Edward Gniffin
The Dark Side of Camelot -Seymour Hersh
The Death of Money by James Rickards
The Fourth and Richest Reich by Edwin Hartnch
The Globalisation of Poverty and the New World Order by Michel Chossudovsky

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The Greening by Larry Abraham
The Greening of America by Charles A.Reick
The Hidden Enemy The German Threazt to Post-War Peace by Heinz Pol
The Lessons of History by Will and Anel Durant
The Limits of State Action by Wilhelm von Humboldt
The Man Versus the State by Herbert Spencer
The New Germany and the Old Nazis byT H Tetens
The Octopus Europetn the grip of organised crime by Brian Freemantie
The Press by A J Liebling
The Revolt of the Masses by Jose Ortega y Gasset
The Rockefeller File by Gary Allen
The Shocking History of the EU by Zima Cohen
The Social Contract by Rousseau
The Social Credit System in China by Anonymous
The Tainted Source The Undemocratic Origins of the European Idea by John Laughland
The Tycoons How Andrew Carnegie, John D Rockefeller, Jay Gould and J P Morgan invented the Amencan supereconomy by Chartes R Morris
They want your money and your life by Vernon Coleman
Tower of Basel The Shadowy History of the Secret Bank that Runs the World by Adam Lebor
Trading with the Enemy by Charles Higham
Tragedy & Hope by Carroll Quigley
Unmasked Inside Antifa's Radical Plan to Destroy Democracy by Andy Ngo
US-Imposed Post 9/11Mushm Holocaust and Muslim Genocide by Gideon Maxwell Polya

Appendix 2: Author biography

Sunday Times bestselling author Vernon Coleman qualified as a doctor in 1970 and has worked both in hospitals and as a principal in general practice Vernon Coleman is a multi-million selling author and since 1975, he has wntten over 100 books which have sold over three million copies in the UK, been 1n best-seller lists around the world and been translated into 26 languages Several of his books have been on the bestseller hsts and in the UK paperback editions of his books have been published by Pan, Penguin, Corgi, Arrow, Century, RKP, Mandarin and Star among many others His books have been adapted for television, radio and the cinema and senaitsed im newspapers around the world and his novel ‘Mrs Caldicot’s Cabbage War’ was turned into a successful, award winning movie He has appeared on Top Gear (the motoring programme), written for a DIY magazine and contributed to a cookery video He has presented numerous programmes on television and radio, mecluding several senes based on his best-selling book Bodypower winch was voted one of the 100 most popular books by British readers

Vernon Coleman has written columns for the Daily Star, Sun, Sunday Express, Planet on Sunday and The People (resigning from the latter when the editor refused to publish a column questioning the morality and legality of invading Iraq) and many other publications and has contnbuted over 5,000 articles, colummns and reviews to 100 leading British publications including Daily Telegraph, Sunday Telegraph, Guardian, Observer, Sunday Times, Daily Mail, Mai on Sunday, Daily Express, Woman, Woman's Own, Punch and Spectator His columns and articles have also appeared in hundreds of leading magazines and newspapers throughout the rest of the world. He edited the Bntish Chnical Journal and the European Medical Journal and for twenty years he wrote a column which was syndicated to over 40 leading regional newspapers in the UK and to papers ali around the world. Local health officials were often so irritated by the column that they paid doctors to wnte competing columns without charge Fortunately, with a few exceptions, this made httle difference to the success of the column

In the UK, Vernon Coleman was the TV AM doctor on breakfast TV and when hecommented that fatty food had killed more people than Hitler, he wasn’t fired until several weeks after a large food lobbyist had threatened to puil all its advertising He was the first networked television Agony Aunt, working on the BBC

Many mulhons consulted his Telephone Doctor advice lines and for six years he wrote a monthly newsletter which had subscribers 1n 17 countnies.

In recent years Vernon has been banned from all mainstream media because his views are often at variance with those of the medical estabhshment Since March 2020, the ban has been extended to include most of the internet and he 1s currently banned using or even accessing YouTube because the videos he made

contained uncomfortable truths He made over 300 videos which have all been censored or banned He was refused admittance to Facebook, being told that he would be 'a threat to the Facebook community', expelled from LinkedIn (with no reason given) and banned from all social media For over 30 years he has had a website (www vernoncoleman.com) and right from the start the site has been visited regularly by representatives of the CIA, the FBI and by members of armed forces around the world

Vernon Coleman has a medical degree, and an honorary science doctorate He has worked for the Open University in the UK and was an honorary Professor of Holistic Medical Sciences at the Open International University based in Sr Lanka. He worked as a general practitioner for ten years (resigning from the NHS after being fined for refusing to divulge confidential information about his patients to State bureaucrats) and has organised numerous campaigns both for people and for animals He can ride a bicycle and swim, though not at the same time He likes animals, cricket (before they started painting slogans on the grass), cycling, cafes and collecting cigarette cards Vernon Coleman is a biblio phile and has a brary larger than most towns He used to enjoy cricket when it was played as a sport by gentlemen and loves log fires and making bonfires

Since 1999 he has been very happily married to the professional artist and author, Donna Antoinette Coleman to whom he 1s devoted and with whom he has co-written five books They lve in the delightful if isolated village of Bulbury in Devon where they have designed for themselves a unique world to sustain and nourish them in these dark and difficult times They rarely leave home

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Appendix 3: What the papers say:

'Vernon Coleman wnites as a general practitioner who has become disquieted by the all-pervasive influence of the pharmaceutical industry m modern medicine He descnbes, witha weaith of illustrations, the phenomena of mad-ern latrogenesis, but he 1s also concerned about the wider harm which can re-sult from doctors' and patients' preoccupation with medication instead of with the prevention of disease He demonstrates, all the more effectively because he writes tn a sober, matter-of-fact style, the :mmense influence exercised by the drug industry on doctors' prescnbing habits He wnites as a family doctor who 1s keenly aware of the soctal dimensions of medical practice He ends his book with practical suggestions as to how medical care - in the developing countries as well as in the West - can best be freed from this unhealthy pharmaceutical predommance '-G M.Carstairs, The Times Literary Supplement {1975}

‘What he says of the present is true and itis the great ment of the book that he says it from the view pornt of a practising general practitioner, who sees from the inside what is going on, and 1s appalled by the consequences to the profession, and to the public '-~ Brian Inglis, Punch (1975)

'Dr Coleman wntes with more sense than bias Required reading for any Minister of Health’ - Daily Express

'| hope this book becomes a bestseller among doctors, nurses and the wider public '+Nursing Times

'Dr Coleman's well-coordinated book could not be more timely '— Yorkshire Post

‘Few would disagree with Dr Coleman that more should be done about preven tion’ - The Lancet

'This short but very readable book has a message that is timely Vernon Coleman's pot is that much of the medical research into which money and expertise are poured is useless At the same time, remedial conditions of mind and body which cause the most distress are largely neglected This is true’ - Daily Telegraph

Tf you beheve Dr Vernon Coleman, the main benefiaaries of the hundred million

pounds worth of research done 1n this country each year are certainly not the

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patients The research benefits mostly the medical place seekers, who use thetr academic investigations as rungs on the promotional ladder, or drug companies with an eye for the latest market opening The future may hold bionte superman but alla nation’s physic cannot significantly change the basic mortality statistics except sometimes, to make therm worse '- The Guardian

‘Dr Coleman’s well-coordmated book could not be more tamely '— Yorkshire Post

'The Medicine Men ts well worth reading’ - Times Educational Supplement

‘Dr Vernon Coleman is nota mine of information ~heis a fountain It pours out of him, mixed with opinions which have an attractive common sense ring about them.’ - Coventry Evemng Telegraph

‘When the children have finished playing the games on your Sinclair or Commodore Vic 20 computer, you can turn it to more practical purposes, For what 1s probably Britain's first home doctor programme for computers is now available Dr Vernon Coleman, one of the country's leading medical authors, has prepared the text for a remarkable senes of six cassettes called The Home Doctor Series Dr Coleman, author of the new book ‘Bodypower' has tumed his attention to com puters ‘- The Times 1983

'The Medicine Men’ by Dr Vernon Coleman, was the subject of a 14 minute ‘commercial’ on the BBC's Nahonwide television programme recently Industry doctors and general practitioners come in for a severe drubbing two down and several more to go because the targets for Dr Coleman's pen are many, varied and, to say the least, surprising Take the physicians who carry out clinical tr-

als many of those, claims the author, have sold themselves to the industry and agreed to do research for rewards of one kind or another, whether that reward be

a trip abroad, a piece of equipment, a few dinners, a series of published papers or simply money' —- The Pharmaceutical Journal

'By the year 2020 there will be a holocaust, not caused by a plutonium plume but by greed, medical ambition and political opportunism This 1s the latest vision of Vernon Coleman, an articulateand prolific medicalauthor this disturbing book

detects diseases in the whole way we deliver health care '—Sunday Times (1988)

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' the issues explores he explores are central to the health of the nation' — Nursing Times

'It ts not necessary to accept his conclusion to be able to savour his decidedly trenchant comments on today's medicine a book to stimulate and to make one argue '— British Medical Journal

'As a writer of medical bestsellers, Dr Vernon Coleman's aim 1s to shock us out of ourcamplacency it'simpossible not to be impressed by some of his arguments '
- Western Daily Press

Controversial and devastating' —- Publishing News

'Dr Coleman produces mountains of evidence to justify his outrageous clarms'-
Edinburgh Evening News

'Dr Coleman lays about him with an uncompromising verbal scalpel, dipped in vitriol, against all sorts of sacred medical cows '- Exeter Express and Echo

'Yernon Coleman writes bnilliant books '- The Good Book Guide

'No thinkimg person can ignore him This is why he has been for over 20 years one of the world's leading advocates on human and animal rights 1n relation to health Long may it continue' - The Ecologist

The calmest voice of reason comes from Dr Vernon Coleman '-— The Observer

Agodsend - Daily Telegraph

'Dr Vernon Colernan has justifiably acquired a reputation for being controversial, iconoclastic andinfluential '- General Practitioner

'Superstar' — Independent on Sunday

'Bniliant" - The People

‘Compulsive reading '- The Guardian

‘His message 1s umportant '- The Economist

‘He’s the Lone Ranger, Robin Hood and the Equalizer rolled into one’ —- Glasgow Evening Times

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‘The man isa national treasure ’—- What Doctors Don’t Tell You

‘His advice 1s optimistic and enthusiastic '- British Medical Journal

‘Revered guru of medicine‘ - Nursing Times

‘Gentle, kind and caring'- Western Daily Press

‘His trademark is that he doesn’t mince words Far funmer than the usual tone of soupy piety you get from his colleagues '- The Guardian

‘Dr Colernan ts one of our most enlightened, trenchant and sensitive dispensers of medical advice ’— The Observer

‘Vernon Coleman 1s a leading medical authority and known to milhons through his writing, broadcasting and bestselling books ’ - Woman's Own

‘His book Badypower 1s one of the most sensible treatises on personal survival that has ever been published ’— Yorkshire Evening Post

‘One of the country's top health experts ’- Woman's Journal

‘Dr Coleman is crusading for a more complete awareness of what 1s good and bad for our bodies In the course of that he has made many fnends and some powerful enemies.’ - Western Morning News

‘Buthant '—The People

'Dr Vernon Coleman ts one of our most enhghtened, trenchant and sensibie dispensers of medical advice’ - The Observer

The most influential medical wnter in Bntam There can be little doubt that

Vernon Coleman 1s the people’s doctor '— Devon Life

The medical expert you can't rgnore '- Sunday Independent

A lterary genius '~ HSL Newsletter

‘L would much rather spend an evening 1n his company than be trapped for five minutes in a radic commentary box with Mr Geoffrey Boycott’ — Peter Tinnis

wood, Punch

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‘Hard hitting rmmutably forthnght '- Hull Daily Mail

‘Refreshingly forthright '- Liverpool Daily Post

‘Outspoken and alert’ - Sunday Express

‘The man witha mission '- Mormng News

‘A good read very funny and packed with interesting and useful advice '-The Big Issue

'Dr Coleman gains in stature with successive books’ - Coventry Evening Telegraph

‘Dr Coleman made me think again '- BBC World Service

'‘Marvellously succinct, refreshingly sensible '- The Spectator

'The living terror of the British medical establishment A doctor of science as well as a medical graduate Dr Coleman is probably one of the most bnihant men alive today His extensive medical knowledge renders him fearless '- Insh Times

‘His future as King of the media docs 1s assured ‘- The Independent

‘Britain's leading medical author’ - The Star

‘Hts advice is practical and readable’ - Northern Echo

‘The layman's champion’ -Evening Herald

‘All commonsense and no nonsense’ - Health Services Management

‘One of Britain's leading experts ’ - Shmmer Magazine

‘The only three things | always read before the programme are Andrew Rawnsley in the Observer Peter Hitchens in the Maal and Dr Vernon Coleman 1n The People Or, if I’m really up against it, just Vernon Coleman ’- Eddie Mair, Presenter on BBC's Radio Four

‘Dr Coleman 1s more illuminating than the proverbial lady with the lamp'- Com pany Magazine

‘Britain's leading health care campaigner’ ~ The Sun

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‘What he says 1s true’- Punch

‘Perhaps the best known health wniter for the general public in the world today’ - The Therapist

The patient’s champion The doctor with the common touch’ — Birmingham Post

‘A persuasive wnter whose arguments, based on research and expemence, are sound ’- Nursing Standard

‘Coleman is controversial but respected and has been deseribed in the British press as ‘ the sharpest mind in medal journalism'and ‘the calmest voice of reason' —- Animals Today

‘Vernon Coleman rebel with acause’- Belfast Newsletter

presents the arguments against drug based medicine so well, and disturbs a harmful complacency so entertainingly'— Alternative News

‘He 1s certainly someone whose views are impossible to ignore, with his passionate advocacy of human and animal nghts’ - International Journal of Alternative and Complementary Medicine

‘The doctor who dares to speak his mind ’- Oxford Maul

‘Dr Coleman speaks openly and reassunngly’— Oxford Times

'He wnites lucidly and wittily’ - Good Housekeeping

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Appendix 4: Reference Articles referring to Vernon Coleman (Included to counter some of the lies on the internet)
Ref 1
Volunteer for Kirkby’ - The Guardian, 14 5 1965
Ref 2
‘Bumbiedom forced me to leave the NHS'- Pulse, 28 11 1981
Ref 3
T’'m Addicted To The Star’ - The Star, 10 3 1988
Ref 4
Medicine Becomes Computensed. Plug in Your Doctor -The Times 29 3 1983
Ref 5
‘Computer aided decision making in medicine’ - Bntish Medical Journal, 89 1984 and 27 10 1984
Ref 6
Conscientious Objectors’~ Finaneral Times magazine, 9 8 2003

Ref 7
‘Doctor with the Common Touch '- Birmingham Post, 9 10 1984
Ref 8
‘Sacred Cows Beware Vernon Coleman pubhshing again’ - The Scotsman, 6121984
Ref 9
‘Our Doctor Coleman Is Mustard'-— The Sun, 29 6 1988
Ref 10
‘Reading the mind between the lines’ - BMA News Review, November 1991
Ref 11
Doctors’ Firsts ~ BMA News Review 21 2 1996
Ref 12
‘The big league of self pubhshing ’- Daily Telegraph, 17 8 1996
Ref 13
'‘Doctoring the books' - Independent, 16 3 1999
Ref 14
‘Sick Practices'— Ode Magazine, July/August 2003
Ref 15
'You have been warned, Mr Blair’ -Spectator, 6 3 2004 and 20 3 2004
Ref 16

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‘Food for thought with a real live Maverick ’- Western Daly Press, 5 9 2006
Ref 17
'The doctor will see you now’ - Independent, 14 5 2008

There 1s a more comprehensive hst of reference articles on www vernoncoleman com

Final Note from the Author:
If you found this book informative I would be very grateful if you would put a suitable review online It helps more than you can imagine If you dishked the book, or disapproved of it in any way, please forget you read 1t
Vernon Coleman

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